Beneficial Corporation

1990 Annual Report

Planning For Profits

ABOUT BENEFICIAL

Beneficial Corporation provides financial services through its various operating subsidiaries located throughout the United States and in Canada, the United Kingdom and Germany. The 1,068 offices of the Beneficial Finance System meet a broad range of consumer credit needs. In addition, consumer credit related insurance is the major thrust of Beneficial's insurance subsidiaries.

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Years Ended December 31	1990	1989	1988	1990 over 1989	1989 over 1988
(in millions, except per share amounts)				Percent Change	
Net Income					
Income From Continuing Operations:					
Income before Special Items	**$ 130.4**	$ 120.9	$ 112.9	**8%**	7%
Special Items (a)	**(13.4)**	–	(7.9)	**–**	–
Total	**117.0**	120.9	105.0	**(3)%**	15%
Income From Discontinued Operations	**13.4**	–	–	**–**	–
Net Income	**$ 130.4**	$ 120.9	$ 105.0	**8%**	15%
Earnings per Common Share					
Continuing Operations:					
Earnings before Special Items	**$ 5.61**	$ 5.01	$ 4.54	**12%**	10%
Special Items (a)	**(.60)**	–	(.35)	**–**	–
Total	**5.01**	5.01	4.19	**–**	20%
Discontinued Operations	**.60**	–	–	**–**	–
Earnings per Common Share	**$ 5.61**	**$ 5.01**	**$ 4.19**	**12%**	20%
Dividends per Common Share	**$ 2.35**	$ 2.20	$ 2.00	**7%**	10%
Shareholders' Equity (includes redeemable preferred stock in 1988)	**$ 984.8**	$ 911.1	$ 908.3	**8%**	–
Book Value per Common Share	**$ 38.84**	$ 35.58	$ 32.87	**9%**	8%
Finance Receivables	**$8,007.0**	$6,901.7	$6,598.1	**16%**	5%
Allowance for Credit Losses as a Percentage of Finance Receivables	**2.93%**	**3.03%**	3.23%	**(3)%**	(6)%

(a) Special Items, after income taxes, consist of "Provision for Loss on Leveraged Real Estate Partnerships" in 1990 and "Provision for Data Processing Upgrade" in 1988.

Nineteen ninety was another highly successful year for Beneficial Corporation. Net income increased 8% to $130.4 million from $120.9 million in 1989. Earnings per share increased noticeably faster, up 12% to $5.61 from $5.01 a share last year, reflecting a reduced preferred dividend requirement this year. Earnings per share increased on a year-to-year basis in all four quarters of the year, so that Beneficial has now recorded sixteen straight quarters of higher core operating earnings per share on a year-to-year basis.

Late in the fourth quarter Beneficial received a $34 million cash payment from the Consolidated Insurance Group, the holding company for American Centennial Insurance Company and the other property/casualty insurance subsidiaries we sold to the management group in a leveraged buyout in 1987 as part of our major restructuring. This payment, which is in addition to $15 million in other cash payments we have received from the Consolidated Insurance Group over the last three years, was in full settlement of the remaining contingent note issued by the management group in connection with the transaction and also cancels the option we held on 9.9% of the stock of Consolidated's United Kingdom subsidiaries. These total payments of $49 million over the three years are indicative of the success of this transaction and its key role in our corporate restructuring of 1986-1987. Net of taxes, the fourth quarter gain is $20 million, reported as part of discontinued operations. We have essentially offset the gain with special reserves on a highly leveraged real estate limited partnership investment and on a credit indemnity remaining from the restructuring relating to the sale of our leveraged leasing portfolio.

Nineteen ninety was marked by exceptionally strong receivables growth. The consolidated receivables gain for the year of over $1.1 billion was one of the very largest in the history of the Company. The Company's characteristically strong internal growth was enhanced by an increasingly active yet careful acquisition effort. During the second half, several significant portfolios of high-quality consumer receivables were acquired, with full year acquisitions totaling $280 million.

In the current environment, with many of our competitors less aggressive for new loan growth or facing serious capital pressures, we remain optimistic about our acquisition efforts in 1991, despite our continuing high-quality and profitability requirements for acquired portfolios. Continued success with acquisitions should offset what may be a less robust growth pattern for internal receivables generation in the recessionary economic environment we are currently experiencing in North America and in the United Kingdom.

As discussed in great detail in last year's annual report, the key to our success in 1990 and in the future remains our commitment to credit quality. We are especially pleased with the year's receivables gain because it was generated without any compromise in our credit quality standards. Our commitment to disciplined credit underwriting remains firm, and the first question our loan office managers ask themselves when they review a new loan application remains, "Can I profitably collect this loan?"

Reflecting this continuing commitment to high credit standards, our net chargeoff ratio rose only modestly in 1990 to 1.31% from the particularly low 1.11% in 1989, despite the worsening economic climate during the year and a sharp rise in the incidence of personal bankruptcy in the United States. During 1990 we switched to the contractual method of delinquency calculation from the recency method that had been used since Beneficial's birth. We were extremely pleased with field management's quick grasp and focus on this new delinquency standard, as all loan and sales finance balances delinquent two months and greater on a contractual basis improved signifi-

Finn M. W. Caspersen
Chairman of the Board of Directors and Chief Executive Officer

cantly to 3.51% at year-end from 4.75% a year earlier. Noteworthy is the fact that year-end contractual delinquency was below the September 30 level. Given the current state of the economy, we anticipate another modest increase in the net chargeoff percentage in 1991, but that increase should be quite reasonable by any historical measure and be well in line with our operating plans.

The watchword for 1991 will be to continue to stick to the basics of our core financial services business—consumer lending and related insurance products. Our franchise in this business is stronger than ever, particularly as banks, thrifts and several of our other competitors encounter operating problems. We leverage this franchise cautiously with such products as our insurance group's annuity offerings and the highly successful tax refund anticipation loan program (RAL) that we conduct with H&R Block and several of its franchisees. Not only did the RAL program make a substantial contribution to our earnings in 1990, but it is also totally congruent with our existing consumer financial services expertise and market position.

We also remain committed to providing quick, caring, and highly responsive service to our customer constituency. Our market is the middle-income consumer, with an average annual income of about $30,000 in a general range of about $20,000-$50,000. This economic cohort represents the greatest percentage of the population and represents the backbone of the consumer economy in all four of the countries in which we operate.

We again take this opportunity to sincerely thank the over 7,800 Beneficial employees for their exceptional efforts in continuing to profitably expand our franchise. Cooperation between the field and headquarters personnel has never been greater in pursuit of our common goal of enhanced customer service and increased bottom line earnings.

Nineteen ninety-one should be an important, "proof of the pudding" year for Beneficial Corporation. In January, we began expensing at a rate of over $1 million per month the hardware and software development costs for our new Bencom III computer system. While this investment will pay for itself many times over through increased productivity at the loan office level, only minimal efficiencies will be realized this year due to the learning curve during the break-in period. Nevertheless, despite this factor, and the recessionary economic climate, we expect to post another year of significantly increased earnings per share and continued strong performance by any credit quality measure. As we said in last year's report, any consumer lender can book large amounts of consumer loans in strong economic times. The difficult task is collecting, particularly when economic conditions deteriorate. We expect to continue to be able to lend, and to collect, very well indeed throughout 1991 and beyond.

In the future, as in recent years, we will remain focused on the basic building blocks of shareholder value: increased earnings per share, cash dividends, book value per share, and driving up our return on equity and return on asset percentages. Over time, such performance will certainly be recognized by the market. We thank you, our fellow shareholders, for your confidence as we await the market's full recognition of the shareholder value that Beneficial Corporation represents.

Finn M. W. Caspersen
Chairman of the Board of Directors and
Chief Executive Officer

Executive Committee

(left to right):

David J. Farris
Member of the Office of the President and Chief Operating Officer

Finn M. W. Caspersen
Chairman of the Board of Directors and Chief Executive Officer

Andrew C. Halvorsen
Member of the Office of the President and Chief Financial Officer

James H. Gilliam, Jr.
Executive Vice President
General Counsel and Secretary

To get from where you are to where you want to go requires planning. At Beneficial, we as a team know where we have been, where we are, and where we must be in the immediate future. We believe in planning today for every tomorrow. We understand that a business plan works when people believe in it and want to make it succeed.

The business plan of Beneficial is created from information and ideas contributed by employees like those who speak on the following pages. Their contributions enable senior management to identify goals and to select and communicate strategies to reach those goals.

Each year, as we set out to plan at Beneficial, people throughout our business organizations look at their responsibilities, study their operations, and evaluate products, services and their marketplace. Then they give management their best advice about how to do a job that will make Beneficial even stronger and more competitive.

David J. Farris, president of Beneficial Management Corporation, marked his 30th anniversary with the company in 1990. As chief operating officer of Beneficial Corporation, and chief executive officer of Beneficial Management Corporation, he keeps watch over the corporate plan.

"When Clarence Hodson founded the Beneficial Loan Society in 1914, he had a plan. His plan to tailor financial services to fit every pocketbook was direct and simple by our standards, but ambitious and visionary in his time. If Mr. Hodson could look in today at our operations, he would be pleased. He would find Beneficial continues to plan for the future, carrying on his business.

> **"We are watching our traditional markets and exploring new ones."**
>
> — Dave Farris

"During the past decade the business of Beneficial changed more than in all the preceding decades combined, but the fundamental goal of offering the widest consumer financial services has remained. In the past 10 years, sound planning enabled Beneficial to move into new lines of financial service—we were among the first consumer financial institutions to offer home equity loans. We developed new financial products, like the Refund Anticipation Loan (RAL). And to keep pace with our expanding markets and our growing menu of products, we introduced Bencom III, our state-of-the-art screen-based data management system.

"In the next five years, we envision even more innovation, more sophistication in financial services and products, and more emphasis

(left to right):

Manfred E. Niebisch
Senior Vice President-Operating, BMC

David J. Farris
Member of the Office of the President and Chief Operating Officer, Beneficial Corp. President and Chief Executive Officer, BMC

Michael J. Mayer
Vice President-Business Development, BMCA

Robert M. Grohol
Senior Vice President-Operating, BMC

on the computer advantage. We are watching our traditional markets and exploring new ones. We feel genuine opportunity beckons in the expanded market of a unified Germany and in the growing U. S. Hispanic community to whom Beneficial will reach out with pilot services in southern California.

"Our greatest resource has always been—and will continue to be—people, the more than 7,800 women and men of Beneficial. Their knowledge and experience have been tapped to devise the company's business plan for the 1990s.

"To find new opportunities and translate them into new business, and to preserve and strengthen the company's traditional business calls for vision and good management. I am confident the resources devoted to planning in 1990 will enable Beneficial to build upon the past by looking ahead and managing a bright future."

Maryann Schneider joined Beneficial Corporation in 1986 and is senior vice president of Planning and Administration. With a portfolio that includes Beneficial's mortgage banking subsidiaries, Human Resources, Real Estate, Purchasing, and Corporate Strategy and Planning, she is a key architect of the process and product of corporate planning at Beneficial.

"The mission of corporate planning at Beneficial is to develop and implement business strategies that clearly support and energize the goals and objectives of our organization. The Planning Department helps senior management establish these goals and objectives. Our work is to bring senior management the information and the process for planning.

"We want to be proactive—innovators in our market."

—*Maryann Schneider*

"In planning we have two objectives: First we want to develop and execute successful strategies to achieve maximum management effectiveness. Then we apply our strategies to achieve a properly risk-balanced and vigorous financial services portfolio.

"There are important guidelines within our corporate plan. We want to be able to respond quickly to market and business conditions. We want to be proactive—innovators in our market. We want to both encourage and support a clear focus on core business strategies of Beneficial. We want to guide and mediate the allocation of precious corporate resources, and we want to regularly test our plan and its underlying decisions to ensure that it remains timely, accurate, and responsive to Beneficial's goals and objectives."

Ross N. Longfield
President-Bencharge/ Tax Masters/Beneficial National Bank USA

Maryann W. Schneider
Senior Vice President-Planning and Administration, Beneficial Corporation

Theodore L. Boyer, president of Beneficial Data Processing Corporation, directs the increasingly important and complex network of information services that enables the company to execute the plan for its business program.

"Anticipating advances in technology remains one of the tougher challenges facing corporations as they plan for the future. It's not enough to know that new technology is out there. A business also needs to know whether a new technology will help it do business better and create economic efficiencies.

"Certainly the leap from transistor to microchip or from ledger cards to Bencom III has dramatically changed the way Beneficial does business. The systemwide benefits we expect Bencom III to deliver in 1991 and the years after show that technology is more than just a change in how we do business. It's a change in business itself.

"This is the Information Age, and it is proving just as significant in the history of business as the Industrial Age that preceded it. It takes a steady flow of more and more information for business to succeed these days. The ability to store and exchange information through state-of-the-art electronics and systems has played an important role in putting together a complete plan for Beneficial.

"The Beneficial Data Processing Corporation is a vital subsidiary that gives important internal service to all the other subsidiaries of Beneficial Corporation. It is in charge of keeping the lines humming between management headquarters and branch, district and group offices, and between Bencom terminals and the SNAP Center in Peapack. It creates and manages the link between everyone with a question or need for information and the answer found somewhere else in the Beneficial family of companies.

> "It takes a steady flow of more and more information for business to succeed..."
>
> —Ted Boyer

"New advances in information technology are on the horizon. Beneficial has to plan to understand them, apply them and make them work for our business. From Dresden to Wilmington to Los Angeles to Canada and the United Kingdom, Beneficial Data Processing Corporation is the link by which Beneficial is planning for the future and doing business today."

Kendall D. Kelley brings a broad perspective to corporate planning. Now president of the Northwest Group, and most recently President of the Mid-Atlantic Group, he has 27 years of experience with Beneficial.

"If you think of operating headquarters as the main body of Beneficial, then the 10 field groups

(left to right):

Theodore L. Boyer
President-Beneficial Data Processing Corporation

Dennis J. Wharton
Vice President-Operating Systems Support, Beneficial Data Processing Corporation

are the vital limbs. We are connected to and rely on headquarters for comprehensive management and support services. The group offices in the U. S., Canada, and the United Kingdom are the places where Beneficial meets and serves the public.

"We are the first ones to sense a change in our various markets, and we have to be able to respond to those changes quickly and wisely. In the same vein, the group offices are closest to the district and branch offices and to the employees who staff them. So we have to know our people and know what they need to be effective.

"From the perspective of a group president, planning calls for knowing your customers and the services they require from Beneficial in a particular geographic region. It calls for knowing what the company makes available in the way of human resource programs and training, computer technology and market and legal research.

"To plan, a group president needs to understand the regional market, to project where that market is headed and estimate how quickly the company can respond. A group president has to have the information to gauge demand and a plan to meet it.

"New technology, like Bencom III, gives our employees new ways to serve customers and to improve service levels that are the traditional strength of Beneficial. Technology can be faceless, and we never want a Beneficial employee or customer to feel that he or she is just a face in the crowd. The thoughtful, caring service we provide remains an important value to our customers. At the group level, we have to plan to build a financial service portfolio that uses new technology to provide that same kind of steady, dependable service with a human touch.

> "To plan, a group president needs to understand the regional market..." — KEN KELLEY

"When we plan in the group headquarters, the centerpiece of the plan should always be to expand our base of customers and to base our customer relationships on solid service."

Daniel R. O'Brien became president and chief executive officer of Beneficial Insurance Group in 1987, after serving in other insurance-related executive positions with the company since 1984.

"The acronym for Beneficial Insurance Group (BIG) is really appropriate for an activity of the company that has become a big part of the picture at Beneficial. Finance-related insurance products and services are increasingly important to

(left to right):

Patricia A. Snyder
Manager-Reading, Pa.

Kendall D. Kelley
Northwest Group President

Keith L. Pladsen
District Manager-Philadelphia Central, Mid-Atlantic Group

our customers, and increasingly important to us.

"Planning the future of Beneficial Insurance Group involves looking not just at who buys insurance today but at who will want to buy it tomorrow, and why. In many ways, the Beneficial Insurance Group has become a business research laboratory, exploring commercial and demographic trends to identify BIG opportunities and better ways to make them productive.

"As we look ahead to the 1990s, we have to evaluate not only the general demand for insurance but the kinds of insurance that will be in demand.

"For example, the early 1990s should be a less transient period in housing. Folks who moved into a first or second home in the 1980s will see a resurgency in housing values. Yet by the same token, they may be more content and more settled in the homes they acquired in the past decade. It's a natural passage in life. So more people will be looking to add on to their homes or to build the equity in their houses just by living in and enjoying them, which sounds to me like a prescription for more equity lending. Equity lending is a value enhanced and protected by credit life insurance.

"Non-credit insurance products should also perform well in the early years of the new decade, so it's well to look at annuity programs and traditional forms of insurance to enhance BIG, as we are doing.

"Planning for us at Beneficial Insurance Group involves valuing and executing financial research and product development in our business laboratory akin to the worth attached to the research that turns out new products in the durable goods field.

"After all, insurance is a durable protection with lasting benefit."

> "Equity lending is a value enhanced and protected by credit life insurance."
>
> —*Dan O'Brien*

We at Beneficial can look back at a long and successful history with pride. But we cannot afford more than an occasional and passing glance. We must look to the future.

New opportunities await us . . . and we must be prepared to grasp them. New chances to use our expertise will arise . . . and we must stand ready to embrace them. To continue into the new century doing what we have always done—to deliver the best in consumer financial services—we have to stay on our toes.

Our planning effort draws on the intelligence, ingenuity, and experience of Beneficial people at every level of the organization. The company's future is being designed by a great team. And together, *we will make it happen!*

(left to right):

Daniel R. O'Brien
President and Chief Executive Officer, Beneficial Insurance Group, Inc.

Thomas P. McGough
Senior Vice President and Controller, Beneficial Corporation

William H. H. Ely, Jr.
Senior Vice President and Treasurer, Beneficial Corporation

Jane M. Kenny
Vice President-Corporate and Community Affairs, BMC

(Front row, left to right):

Steven Muller
Chairman, The 21st Century Foundation, Washington, D.C.

Charles W. Bower
Retired; former Senior Vice President and Treasurer of Beneficial Corporation

Susan M. Wachter
Associate Professor of Finance, The Wharton School, University of Pennsylvania, Philadelphia, Pennsylvania

Thomas H. Kean
President, Drew University Madison, New Jersey; Former Governor of New Jersey

Finn M. W. Caspersen
Chairman of the Board of Directors and Chief Executive Officer

James H. Gilliam Jr.
Executive Vice President, General Counsel and Secretary

Susan Julia Ross
Attorney at Law, Natelson and Ross, Taos, New Mexico

Jan Leschly
Chairman, Pharmaceuticals SmithKline Beecham p.l.c. Brentford, United Kingdom

K. Martin Worthy
Attorney at Law, Hopkins & Sutter, Washington, D.C.

(Back row, left to right):

Kenneth J. Kircher
Secretary to the Board of Directors

J. Robert Hillier
Architect and businessman, The Hillier Group, Inc., Princeton, New Jersey

E. Norman Veasey
Attorney at Law, Richards, Layton & Finger, Wilmington, Delaware

Charles H. Watts, II
Educational and business consultant, Boston, Massachusetts

David J. Farris
Member of the Office of the President and Chief Operating Officer

Andrew C. Halvorsen
Member of the Office of the President and Chief Financial Officer

Robert C. Cannada
Attorney at Law, Butler, Snow, O'Mara, Stevens & Cannada, Jackson, Mississippi

Gerald L. Holm
Consultant to the Company; former Vice Chairman of Beneficial Corporation

Robert A. Tucker
Retired; former Member of the Office of the President and Chief Financial Officer of Beneficial Corporation

Leonard S. Coleman Jr.
Vice President, Kidder, Peabody and Co., New York, New York

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FINANCIAL REVIEW

Review of Fourth Quarter Results

Despite a difficult comparison against a strong performance in the fourth quarter of 1989, Beneficial Corporation achieved a modest 2% gain in fourth quarter net income to $32.3 million, up from $31.6 million a year earlier. Comparable earnings per share also increased 2% to $1.39 from $1.36 in the 1989 quarter. This represents Beneficial's sixteenth consecutive quarter of increased core operating earnings per share on a year-to-year basis.

The quarter was marked by particularly strong receivables growth of $554 million, as several acquisitions of portfolios added to excellent internal growth. In last year's fourth quarter, receivables increased $270 million before the sale of $248 million of California home equity loan receivables through a securitization in the capital markets.

The lending spread widened from the third quarter's 9.25% to 9.53% in the fourth quarter, and was only slightly below the particularly wide 9.61% achieved in the last period of 1989. Accordingly, coupled with the outstanding earning asset growth during the year, lending spread income was quite strong in the quarter, increasing 12%. This factor offset a moderate increase in the chargeoff percentage in the quarter to 0.36% from 0.29% a year earlier, as net chargeoffs rose to $29.1 million from $20.6 million. Contractual delinquency also improved as all loan and sales finance balances delinquent two months or more improved to 3.51% at year-end from 3.64% at September 30. This delinquency figure was 4.75% at the end of 1989.

Included in fourth quarter net income were several special items, the effect of which offset one another. The Company recorded a $21.5 million charge ($13.4 million aftertax) to fully write off its investment as a limited partner in highly leveraged real estate partnerships.

In December, the Company received a $34 million payment in full settlement of a contingent note and an equity option it held in the insurance subsidiaries which were sold in 1987 as part of the Company's major corporate restructuring. The net aftertax gain from this payment of $20.3 million is reflected in income from discontinued operations. Offsetting this credit in discontinued operations was a $6.9 million net aftertax charge to reflect a credit guarantee the Company had granted to the purchaser of two Eastern Airlines 727-200 aircraft leveraged leases. The leveraged lease portfolio was sold during Beneficial's restructuring. Accordingly, the net impact of the special items on net income is zero.

Financing

Beneficial continued in 1990 to broaden its investor base in the domestic money and capital markets. The Company's commercial paper and medium-term note programs experienced increased levels of investor interest as reflected in the placement of over $19.4 billion of commercial paper and $1.3 billion of medium-term notes during the year. In June 1990, Fitch Investors Service raised the Company's senior debt rating from A to A+. This rating increase reflects the continued improvement in the Company's consumer finance operations and ancillary businesses.

Beneficial's primary source of term financing remains continuously offered medium-term notes (MTN). During 1990, $1.3 billion of medium-term notes were issued at a weighted-average maturity of 5.6 years and a spread over the comparable Treasury security of approximately 104 basis points.

Since Beneficial reactivated its MTN program in February of 1988, it has sold over $2.5 billion of medium-term notes. The flexibility of this program continues to meet the needs of both Beneficial and investors, and generally results in more cost-effective financing than traditional underwritten capital market transactions.

Financing (cont'd)

Beneficial continues to focus on developing direct sales to investors through its NASD registered broker/dealer subsidiary, Beneficial Securities, Inc., as a complement to distribution through investment banking houses. Beneficial placed $64 million directly with investors during 1990.

In 1990, $675 million of term debt carrying a weighted-average coupon rate of 10.12% matured. The refinancing of these maturities as well as receivable growth and other cash needs resulted in total worldwide issuance of $1.3 billion in term debt.

As a result of these term debt activities, Beneficial's weighted-average interest rate on long-term debt outstanding at December 31, 1990 was 9.58%, declining from 9.74% at December 31, 1989 and 9.80% at December 31, 1988.

Total debt levels at year-end were inflated by a substantial liquidity position on the balance sheet, largely reflecting sales of commercial paper in excess of the Company's immediate needs. Cash and equivalents at year-end totaled $248 million.

During 1991, total term debt of $696 million will mature, including $48 million of debentures where the holders may elect early payment. Total 1991 maturities carry a weighted-average interest rate of 9.94%.

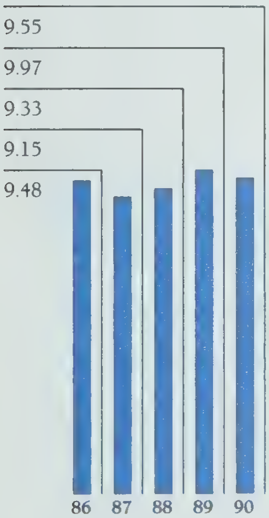
Beneficial continues to generate deposits domestically through Beneficial National Bank and Beneficial Savings Bank as well as from employee thrift accounts. The Company's consumer banking operations in the United Kingdom and Germany also generate modest amounts of deposits.

The Company's primary source of short-term financing continues to be directly placed commercial paper. The Company issued over $19.4 billion in domestic commercial paper notes in 1990. As has been true in the past several years, a number of significant customers were added to the commercial paper investor base.

Commercial paper outstandings at the end of 1990 totalled $2.1 billion at an average rate of 8.55% compared to $1.8 billion at the end of 1989 at an average rate of 9.01%. The Company maintains committed revolving credit facilities in support of its outstanding commercial paper and continues to be able to place paper at tight spreads to the highest rated issuers. The cost of maintaining such revolving credit facilities remained at 0.125%.

The lower short-term debt costs on the domestic side were somewhat offset by a significant increase in foreign short-term debt interest costs in all three of the countries outside the United States in which Beneficial operates. The overall corporate short-term debt cost, including international subsidiary borrowings and fees for bank credit facilities, was 9.25% in 1990 compared to 9.96% in 1989. Domestically, short-term borrowing costs during the year averaged 8.45%, down from 9.56% in 1989.

Average Worldwide Cost of Funds
(percent)



Funding Base

At December 31 (in millions)	**1990**	**% of Total**	1989	% of Total
Short-Term Debt				
U.S. Currency	**$1,992**	**26%**	$1,761	28%
Foreign Currencies	**445**	**6**	224	3
Total Short-Term Debt	**2,437**	**32**	1,985	31
Deposits Payable	**489**	**7**	389	6
Long-Term Debt	**4,634**	**61**	4,011	63
Funding Base	**$7,560**	**100%**	$6,385	100%

Financing (cont'd)

Beneficial's total worldwide, melded-average borrowing cost, including fees paid on bank revolving credit facilities, was 9.55% in 1990, down from 9.97% in 1989. This decrease was primarily due to the decrease in domestic commercial paper costs as well as the maturity of several high-rate long-term debt issues. Presented below are the average quarterly borrowing costs for total corporate debt during 1990 and the prior four years.

Average Worldwide Cost of Funds

	1990	1989	1988	1987	1986
1st Quarter	**9.56%**	10.04%	9.07%	9.00%	10.05%
2nd Quarter	**9.57**	10.25	9.11	9.05	9.69
3rd Quarter	**9.53**	9.83	9.42	9.25	9.18
4th Quarter	**9.52**	9.75	9.71	9.35	9.06
Full Year	**9.55%**	9.97%	9.33%	9.15%	9.48%

Beneficial continues to maintain a conservative posture with respect to interest-rate risk. During 1990, Beneficial purchased asset/liability management software which will permit the Company to more easily evaluate alternative funding strategies as well as the impact on its portfolios of varying market conditions. As Beneficial continues to aggressively explore receivable acquisition opportunities, this system will also permit more sophisticated evaluation for securitizing fixed- or variable-rate receivables in order to maintain appropriate leverage ratios.

In February 1990, the Company entered into an interest-rate exchange agreement ("swap") totalling $100 million. Beneficial assumed a fixed-rate interest obligation which resulted in a savings of over 36 basis points from the rate available in the cash markets. This transaction reduced the Company's interest-rate exposure and matches fixed-rate borrowings with the growth in the fixed-rate portfolio at the current time.

Beneficial also continues to maintain a conservative posture regarding foreign currency risk. Foreign subsidiaries borrow in local, functional currencies to the extent practical. The Company's net investment exposure in these subsidiaries is hedged through the forward markets, currency swaps, and, increasingly, through the use of foreign currency options. Foreign currency options provide an effective means, both economically and from an accounting standpoint, of hedging foreign currency exposures.

The Company's rates for commercial paper and medium-term notes are quoted daily on the TELERATE SYSTEM.

Profitability Analysis

The table on the next page analyzes profitability dynamics for continuing operations for the past five years, presenting major categories of income and expense as a percentage of the average principal balance of receivables. Special one-time items have been segregated from individual categories to provide a consistent comparison of operating profitability.

Total receivables grew an outstanding $1,105 million, or 16%, during 1990 to reach $8.0 billion at year-end. Acquisitions of receivables portfolios from other consumer lenders contributed $280 million, or 25% of the year's total growth. As has been true for the last two years, strongest growth was in fixed-rate real estate secured loans. For the year, real estate secured loans increased an excellent $775 million to reach $5.0 billion at year-end, 63% of the entire portfolio. Personal unsecured loans increased by $192 million to $2.2 billion at year-end, while sales finance obligations were up a healthy $66 million to $591 million at December 31. The loan portfolio of

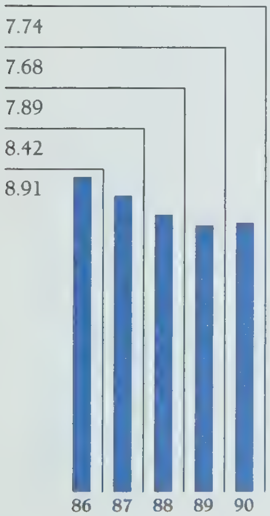
Profitability Analysis (cont'd)

our Beneficial National Bank subsidiary increased an excellent $72 million to $237 million at year-end. Taken together, consolidated average receivables outstanding for the year increased 8% to $7,283 million, up from $6,737 million in 1989.

Beneficial's lending spread increased in 1990 for the first time since 1986. This key margin widened to 9.44% from 9.26% in 1989 as a lower cost of funds more than offset a slight decline in the portfolio's gross yield to 18.38% from 18.57% in 1989. The increase in the lending spread is impressive in light of the fact that operations in Canada and the United Kingdom suffered from significantly higher borrowing costs due to the sharply higher level of interest rates in those countries.

Insurance premiums and benefits as reported are distorted by life reinsurance transactions and by the purchase of a block of ordinary life insurance during the year. Credit insurance premiums written declined a modest 2%, and credit loss ratios increased somewhat. Accordingly, despite another year of excellent growth in insurance investment income, total pretax earnings from insurance operations declined slightly to $62.2 million from $62.3 million in 1989. Pretax insurance earnings represented 0.85% of average receivables in 1990 compared to 0.92% of average receivables in 1989.

Operating Expense Ratio
(includes Salaries & Benefits and Other only)
(percent)



Profitability Analysis

December 31	**1990**	1989	1988	1987	1986
Average Receivables (in millions)	**$7,283**	$6,737	$6,285	$5,707	$5,167
% of Average Receivables					
Finance Charges and Fees	**18.38%**	18.57%	18.10%	18.20%	18.98%
Interest Expense	**8.94**	9.31	8.67	8.49	8.81
Lending Spread	**9.44**	9.26	9.43	9.71	10.17
Insurance Premiums	**3.54**	3.11	2.96	1.80	1.75
Other Revenues	**2.19**	1.74	1.51	1.70	1.96
Gross Spread	**15.17**	14.11	13.90	13.21	13.88
Salaries & Employee Benefits	**3.53**	3.41	3.40	3.64	3.75
Insurance Benefits	**2.80**	2.23	2.00	.91	1.02
Provision for Credit Losses	**1.59**	1.21	1.15	1.22	1.25
Other Operating Expenses	**4.21**	4.27	4.49	4.78	5.16
Total Operating Expenses	**12.13**	11.12	11.04	10.55	11.18
Operating Income before Special Items	**3.04**	2.99	2.86	2.66	2.70
Special Items (a)	**(.29)**	–	(.19)	.95	(.20)
Operating Income	**2.75**	2.99	2.67	3.61	2.50
Provision for Taxes	**1.14**	1.20	1.00	1.18	1.06
Income from Continuing Operations	**1.61**	1.79	1.67	2.43	1.44

(a) Special items consist of "Provision for Loss on Leveraged Real Estate Partnerships" in 1990, "Provision for Data Processing Upgrade" in 1988, "Interest Income from Tax Settlement" in 1987, and "Provision for Restructuring" in 1986.

Profitability Analysis (cont'd)

Other revenues were quite strong in 1990, chiefly reflecting the outstanding success of our Refund Anticipation Loan program with H&R Block. Also contributing to the strong comparison was the aforementioned excellent growth in insurance investment income and strong servicing revenues on the $248 million of California home equity loans that were sold to investors through a securitization in the capital markets during the fourth quarter of 1989. Reflecting these influences, other revenues increased to 2.19% of receivables from 1.74% in 1989.

Overall operating expense ratios deteriorated slightly in 1990. Reflecting some growth in headcount and significant increases in medical and dental expenses, salaries and employee benefits increased to 3.53% of average receivables from 3.41% in 1989. Other operating expenses as a percentage of average receivables improved to 4.21% from 4.27% a year earlier. Accordingly, the operating expense ratio, the sum of the two aforementioned totals, increased slightly to 7.74% in 1990 from 7.68% in 1989. A reduction in this ratio is anticipated in 1991, despite the incremental burden of Bencom III expenses. In perspective, it should be noted that as recently as 1985 this ratio was significantly higher at 9.11%.

Reflecting the increase in net chargeoffs and the dramatic receivables growth, the provision for credit losses increased to 1.59% of average receivables from 1.21% in 1989.

Operating income before special items as a percentage of average receivables increased to 3.04% from 2.99% in 1989. As recently as 1986 this key operating measurement was only 2.70%. The effective tax rate was higher in 1990 at 41.5% compared to 40.0% in 1989. The increase was chiefly due to a reduced proportion of tax exempt interest in insurance investment income. Despite the higher tax rate, the net aftertax return on receivables was unchanged at 1.79% in 1990 and 1989 after removing the $13.4 million aftertax special item.

Removing the $13.8 million aftertax loss of Harbour Island and the $13.4 million aftertax special item and examining profitability of Beneficial's core consumer finance services businesses taken alone produce a net aftertax return on average receivables of 1.98% in 1990 compared to 2.04% on a comparable basis in 1989.

Consumer Finance Office Network

As has been true in recent years, the size of the loan office network remained relatively stable in 1990. At year-end, Beneficial was operating 1,068 offices in four countries, compared to 1,071 offices at the end of 1989. Most noteworthy of new office openings in 1990 was Beneficial's two new offices in what was formerly East Germany. In the United States, Beneficial operates 900 offices in 40 states, compared to 903 offices in 39 states a year earlier. During 1990, Beneficial reentered the state of Wisconsin with one office after exiting some years ago. Beneficial is now located in most of the key areas of the country offering both attractive growth potential and a hospitable regulatory climate. International operations consisted of a total of 168 offices: 104 in Canada, 53 in the United Kingdom, and 11 in Germany.

Examining geographic concentrations, California remains a particularly important state with 29% of worldwide receivables, while significant concentrations of outstandings also exist in the states of New York (8%), Pennsylvania (6%), Ohio (6%), New Jersey (3%), and Florida (3%). Canada is the most significant operation outside of the United States with 7% of worldwide receivables.

Operating efficiencies at the loan office level continue to improve. At year-end the key measure of cash invested (principal of finance receivables) per employee rose to $1.32 million from $1.23 million at the end of 1989. Similarly, cash invested per office increased to $6.9 million from $6.3 million at December 31, 1989.

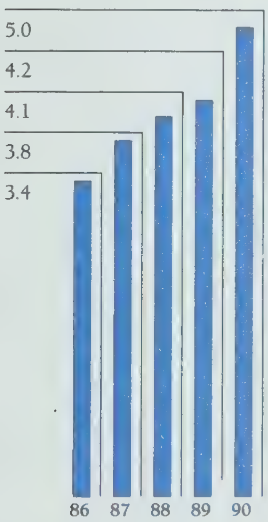
Consumer Finance Office Network (cont'd)

The total number of customer accounts increased 144,000 during 1990, bringing total accounts to 2,058,000 from 1,914,000 at the end of 1989. This is an important operating statistic in the finance industry since, traditionally, consumers will borrow from Beneficial multiple times. Along with sales finance activities, a highly sophisticated direct mail marketing effort has proven to be a particularly significant means of gaining new customers. Additionally, as mentioned previously, during 1990 Beneficial was successful in acquiring several attractive portfolios of consumer receivables.

Real Estate Secured Loans

Real estate secured loans (chiefly second mortgages) continue to be the largest category of loans outstanding and Beneficial's key growth market. With tax deductibility for consumer interest paid on home equity loans protected up to a $100,000 loan size, it seems likely that home equity loans will continue to be the key manner in which consumers access credit when they have a significant financial need. Moreover, despite the significant growth in nationwide second mortgages outstanding in recent years, and the decline in real estate values in some areas of the country, the overall untapped market remains huge. Estimates of unleveraged housing equity in the United States are in the range of several trillion dollars. Also, despite the fact that Beneficial ranks among the nation's very largest second mortgage lenders, its total number of real estate secured loan customers is only 189,000.

Real Estate Secured Loans
($ in billions)



Real estate secured loans increased an excellent 18% in 1990 to reach $5.0 billion at year-end and represent 63% of Beneficial's total receivables portfolio. About $1.8 billion, or 22% of the total receivables portfolio, are high-yielding first mortgages. As was true in 1989, best growth occurred in fixed-rate real estate secured loans, as opposed to the variable-rate credit line accounts. At year-end, Beneficial's total fixed-rate real estate secured portfolio was $3.9 billion. Loans written during 1990 were at an average yield of 16.23%. The variable-rate real estate secured revolving line of credit accounts totaled $1,089 million at year-end, up from $936 million at December 31, 1989. The average yield on the variable-rate portfolio remained at approximately prime plus 500 basis points. An interesting aspect of Beneficial's real estate secured credit lines is that a very high percentage of the revolving line is actually drawn down, currently 87% on average.

Although still excellent, yields on real estate secured loans are significantly lower than on Beneficial's unsecured personal loans. However, net chargeoffs are a fraction of unsecured loan chargeoffs, and operating costs per dollar loaned are significantly less than on unsecured lending. Accordingly, real estate secured loans are actually more profitable than unsecured loans.

Beneficial's real estate secured loans are subject to carefully monitored underwriting of both the borrower's ability to repay and the appraised value of the home as determined by independent, professional outside appraisers. These loans are actually well-documented consumer loans based solely on the credit worthiness of the borrower, with the collateral of the real estate providing additional security. Nevertheless, as has been true for many years, for second mortgage loans, Beneficial will generally lend to a cap of only 75% (including the existing first mortgage) of the appraised value of the home as determined by certified, independent appraisers. In addition, a rigorous discipline of credit approval is enforced as to borrower debt-to-income ratios and overall customer credit quality. A customized and regionalized credit scoring system is used as a key tool in evaluating consumer credit worthiness.

Real Estate Secured Loans (cont'd)

Most real estate secured loans must be approved by regional management in addition to the originating loan office manager. The largest loans must also be approved by a senior vice president at headquarters. Appraisers are evaluated and policed by regional supervisory management, as well as by the loan office manager. Finally, if a loan becomes delinquent, Beneficial moves quickly to protect its position by initiating foreclosure proceedings. In most instances, such action results in the loan being brought current.

Although the average real estate loan made has been increasing in recent years, the average outstanding balance remains relatively low. The average outstanding balance at year-end was $26,330, up from $24,354 at the end of 1989. The average real estate secured loan made in 1990 was $29,605, up from $27,704 in 1989.

Real estate loan net chargeoffs remain low. In 1990, including losses on disposition of foreclosed property, real estate losses averaged 0.39% of average outstandings, compared to 0.27% in 1989 and 0.25% in 1988. Real estate secured loan balances delinquent two months or more declined to 2.77% at year-end from 4.40% at the end of 1989. Largely reflecting economic softness in the northeastern part of North America (both in the United States and in Canada), foreclosed real estate owned did increase during 1990 to $38 million at year-end or 0.76% of real estate loans outstanding. This percentage was 0.39% of outstandings at the end of 1989, 0.30% of outstandings at the end of 1988, and 0.29% of outstandings at the end of 1987.

Unsecured Personal Loans

Unsecured personal loans increased $192 million during 1990 to reach $2.2 billion at year-end and represented 27% of total receivables outstanding.

Although operating costs per dollar loaned and net chargeoffs are substantially higher for unsecured personal loans than for real estate secured lending, the significantly higher yields realized in personal loan operations continue to make it a highly profitable product line. In 1990 the average yield on unsecured personal loans written was an excellent 25.56%. The average-size personal loan made was $2,284 compared to $2,234 in 1989.

Sales Finance Activities

Sales finance activities conducted by Bencharge and the newly formed subsidiary, Beneficial National Bank USA (BNB USA), headquartered in Peapack, NJ, represent the most important source of new loan customers for Beneficial. In 1990, approximately 53% of new loan borrowers originated as sales finance customers.

Total sales finance outstandings for combined Bencharge and BNB USA activities increased to $591 million at year-end from $525 million a year earlier.

Bencharge

Bencharge, through Beneficial's loan office network, continues to actively target "high ticket" local and regional retailers through three programs: 1) A private label revolving charge program which provides the retailers' customers with an open line of credit to use in the store; 2) A receivables acquisition program whereby retailers can sell their portfolios of sales finance accounts to Bencharge; and 3) A closed-end program under which retailers offer fixed-term contracts to customers for single "high ticket" purchases.

In 1990, Bencharge purchased over 794,000 sales finance contracts, up over 7% from 1989. Total dollar volume increased to $650 million from $585 million a year earlier. Moderate growth is anticipated in 1991, and like BNB USA, Bencharge will continue its focus on the appliance, electronic, furniture, home improvements and apparel industries.

Beneficial National Bank USA

Officially chartered during the fourth quarter, BNB USA's formation was the most significant development for Beneficial's sales finance business in 1990. While Bencharge programs are marketed through the loan office network to the smaller regional/local retailers, BNB USA was formed as a credit card bank to provide sales finance services to larger regional/national retailers in a centralized, highly automated environment.

Targeting retailers in the appliance, electronic, furniture, home centers, and apparel industries, BNB USA offers a private label revolving charge program which provides the retailers' customers with an open line of credit to use in the store. In addition, BNB USA offers receivables acquisition programs whereby retailers can sell their existing portfolios of revolving sales finance accounts to BNB USA.

During 1990, BNB USA assumed operating responsibility for several Bencharge retailers while adding four new retailers to its portfolio. At year-end, the outstanding receivables were approximately $52 million. BNB USA will aggressively promote its services through trade journal advertisement, direct mail and trade show representation under "The Sales Advantage" marketing theme. Projections for 1991 are for continued steady growth with an emphasis on receivable acquisitions.

Commercial Bank Loans

Commercial bank loans represent the loan portfolio of Beneficial National Bank (BNB), Beneficial's commercial banking subsidiary. The breakdown of the portfolio is approximately 65% commercial and industrial loans and 35% consumer loans. A large portion of the C&I loans are commercial mortgage loans or have real estate collateral as additional security for cash flow-oriented business loans. As indicated in the table below, BNB's loan portfolio has more than doubled over the past five years from $102 million in 1986 to $237 million at the end of 1990.

Finance Receivables

at December 31 (in millions)	**1990**	1989	1988	1987	1986
Real Estate Secured Loans	**$5,008**	$4,233	$4,056	$3,756	$3,357
Personal Unsecured Loans	**2,171**	1,979	1,888	1,805	1,560
Sales Finance Contracts	**591**	525	509	456	442
Commercial Bank Loans	**237**	165	145	118	102
Total	**$8,007**	$6,902	$6,598	$6,135	$5,461

International Operations

Receivables growth in Beneficial's international operations was significantly inflated in 1990 by the strengthening of the British pound and German mark against the U. S. dollar. In total, a translation gain of $71 million was recorded for the full year, compared to a $9 million translation loss in 1989.

In their indigenous currencies, the United Kingdom and German subsidiaries showed excellent relative growth, with full year gains of 29% and 12%, respectively. Canadian dollar receivables declined by 2% in the recessionary economic environment that prevailed in Canada for a large part of the year.

Beneficial's Canadian operation consists of 104 offices located across Canada, although the provinces of Ontario and Quebec represent 75% of total Canadian outstandings. Canadian operations are quite similar to operations in the U. S., with 60% of Canada's outstandings in real estate secured loans and the remainder in personal

International Operations (cont'd)

unsecured loans and sales finance. Canada continues to represent Beneficial's largest operation outside of the U. S., with $534 million in receivables at year-end, down from $545 million at the end of 1989. As denominated in Canadian dollars, the unit's receivables fell C$12 million or 2% for the year. Canadian earnings increased slightly in 1990, the sixth consecutive year of higher profits.

Beneficial's subsidiary in the United Kingdom is Beneficial Bank PLC, a retail banking operation offering consumer loan, sales finance, bank credit card, and deposit services to consumers through 53 offices throughout the United Kingdom. As denominated in pounds sterling, the bank's receivables increased £45 million reflecting strong growth in the bank's VISA card portfolio. However, earnings were down sharply for the year, although the strong growth in the receivables portfolio appears to lay the groundwork for an excellent earnings gain in 1991.

Beneficial also operates through a banking charter in Germany through BFK Bank AG. Including the two offices opened in November in what was formerly East Germany, BFK now has 11 offices, with an additional two office openings planned for Eastern Germany in 1991. As denominated in Deutschemarks, receivables increased 12% in 1990. Despite noticeable start-up costs related to the East German openings, earnings showed an excellent increase for the year.

In order to substantially eliminate income statement foreign exchange exposure for Beneficial Corporation, international operations are generally funded in local currencies through domestic financial markets. Canadian operations sell commercial paper and medium-term notes through dealers in the Canadian financial markets. United Kingdom and German bank operations do generate deposits but chiefly fund themselves through bank borrowings and long-term debt placements.

The table below discloses international finance receivables by country as translated into U. S. dollars. On this basis, international receivables of $1.1 billion represent approximately 14% of the corporate total, unchanged from 1989. Noteworthy is the significant growth experienced since 1986 in the international operations.

International Finance Receivables

at December 31 (in millions)	**1990**	1989	1988	1987	1986
Canada	**$ 534**	$545	$517	$424	$324
United Kingdom	**387**	250	281	248	190
Germany	**208**	161	157	215	102
Total	**$1,129**	$956	$955	$887	$616

Credit Quality—Condition of the Portfolio

Beneficial's credit quality remained strong in 1990 despite the eroding economic climate in North America, an erosion which became particularly apparent late in the year. Although the net chargeoff ratio increased slightly from the exceptionally low levels of the past few years, the chargeoff percentage remains at a quite reasonable level historically and relative to competing consumer lenders.

As a percentage of average receivables, net chargeoffs increased to 1.31%, or $100.1 million, from 1.11%, or $78.0 million in 1989. The increase in the ratio was chiefly due to a significant increase in the net chargeoff ratio on unsecured personal loans and on sales finance obligations, reflecting increased losses due to bankruptcy. Net chargeoffs on real estate secured loans remain quite modest, with the chargeoff percentage up only slightly over 1989. Including losses on disposition of foreclosed

Credit Quality— Condition of the Portfolio (cont'd)

property, real estate loan losses averaged 0.39% of average outstandings, compared to 0.27% in 1989 and 0.25% in 1988.

Beneficial's net chargeoff ratio has averaged less than 1.07% annually over the past six years. Indicative of the conservatism of our chargeoff policy, recoveries of previously charged off loans have averaged 19% of gross chargeoffs over the same period.

During 1990, Beneficial switched to the contractual method of delinquency calculation from the previously utilized recency method. On this contractual basis, delinquency improved significantly in 1990 as the loan offices focused their efforts on managing to a contractual standard. At year-end all loan and sales finance balances delinquent two months and greater improved to 3.51% from 4.75% at the end of 1989. On a relative basis, the improvement in real estate secured loan delinquency was even greater than the improvement in unsecured loan delinquency. Contractual delinquency on North American real estate loans improved to 2.77% at year-end from 4.40% at the end of 1989. Contractual delinquency statistics on a consistently applied, comparable basis are not available for years prior to 1989.

At year-end, the allowance for credit losses as a percentage of receivables was 2.93%, down from 3.03% at the end of 1989. For the year, the reduction of 10 basis points was less than the 20 basis point reductions in 1989 and 1988. At the year-end level of 2.93%, the reserve covers 1990 chargeoffs 2.3 times, a particularly conservative ratio by industry standards. Many of our competitors maintain credit loss reserves only 1 to 1.5 times their recent year chargeoff level.

Credit Quality Measures

(in millions, except percentages)

Year	Gross Amount of Receivables Charged Off	Net Chargeoffs(a)	Net Chargeoffs to Average Gross Finance Receivables	Allowance for Credit Losses at End of Year	Allowance for Credit Losses to Finance Receivables
1990	**$116.7**	**$100.1**	**1.31%**	**$234.2**	**2.93%**
1989	92.9	78.0	1.11	208.8	3.03
1988	84.1	68.6	1.05	212.8	3.23
1987	80.1	64.9	1.08	210.6	3.43
1986	73.2	58.6	1.07	195.6	3.58
1985	57.3	38.3	0.77	190.3	3.89

(a) Less offsetting recoveries.

Beneficial Mortgage Corporation

Beneficial Mortgage Corporation (BMC) is Beneficial's mortgage banking subsidiary. BMC originates investment grade residential first mortgage loans. Most loans are subsequently sold by BMC into the secondary market without recourse on a servicing retained basis. Substantially all loans are sold carrying either Fannie Mae or Freddie Mac guarantees, providing a stream of continuing servicing fee income for BMC.

The market rate first mortgage products of Beneficial Mortgage Corporation, sold through our consumer finance loan office system and by our network of correspondent banks, thrifts and mortgage bankers, provide Beneficial additional opportunities to develop new customer relationships and to extend profitable additional financial services to those consumers with high-quality credit profiles. All loans are carefully underwritten to high-quality credit evaluation standards at BMC's corporate headquarters in Newark, Delaware.

Beneficial Mortgage Corporation (cont'd)

BMC's 1990 pretax loss of $0.9 million represents a significant improvement over a 1989 pretax loss of $2.0 million and the 1988 pretax loss of $5.6 million. More efficient use of automation, improvements in work flows and further overhead reductions all contributed to the improvement. Overhead expenses were significantly reduced during the fourth quarter by the consolidation of two regional processing centers. Supported by advanced systems technology, these functions have now been centralized to achieve better economies of scale and should improve 1991's bottom line.

1990 mortgage loan originations totalled $246 million, up from $238 million in 1989. The moderate increase reflects improvement in marketing programs. Through the securitization process, BMC sold $268 million of first mortgages into the secondary market in 1990.

At year-end BMC's servicing portfolio surpassed $1.2 billion, up 16% from 1989, and just slightly less than the 18% gain achieved in 1989. The entire portfolio, which consists primarily of conventional fixed-rate mortgages, has a weighted-average interest rate under 10% and a weighted-average maturity of approximately 25 years. Low interest rates on seasoned loans such as these can be expected to generate minimal turnover, and thus provide a fairly predictable, stable stream of servicing fee income.

BMC's mortgage delinquency ratios outperform most mortgage banking industry statistics, reflecting strict underwriting standards and tight servicing controls. On the entire portfolio, the delinquency rate on all accounts 90 days or more past due was 0.35% at year-end compared to 0.42% at the end of 1989.

Beneficial Mortgage Corporation has positioned itself for marked operating improvement in 1991 based on continued growth in the servicing portfolio, reduced overhead, and a continuation of prudent origination and underwriting policies.

Beneficial National Bank

Beneficial National Bank (BNB), based in Wilmington, Delaware, is the Beneficial Corporation commercial banking subsidiary. BNB provides a full range of commercial and consumer banking services to small- and medium-sized businesses and consumers in Delaware and surrounding markets. In addition, the Bank provides significant corporate cash management and treasury services to Beneficial Corporation and its operating subsidiaries. The Bank operates seven full-service branches in Delaware.

The Bank reported another excellent year in 1990 as net income increased 76% to $6.5 million from $3.7 million in 1989. Average assets increased to $264 million from $225 million in 1989. Return on average assets was 2.47% with return on average equity of 22.38%. The Bank's capital to assets leverage ratio was a very strong 9.8% at year-end 1990.

Earnings improvement resulted primarily from an increase in processing fee revenue from the Tax Refund Anticipation Loan program and an increase in net interest income.

At December 31, 1990, total loans outstanding, excluding participations sold to other institutions, were $237 million, up 44% from the prior year. Approximately 65% of total loans are loans to small- and medium-sized businesses in the local Delaware market. The 1990 loan gain includes the purchase of $29 million of home equity secured credit card receivables from a Kansas financial institution. The credit quality of the credit card portfolio is excellent. Overall, consumer loans increased 29% during 1990.

Beneficial National Bank (cont'd)

The reserve for loan losses was 1.43% at year-end, compared to 1.37% at the end of 1989, with net chargeoffs only 0.27% of average loans outstanding during the year. Over the last five years, annual net chargeoffs have averaged only 0.24% of total loans. Nevertheless, the loan loss reserve has been increased at year-end to reflect increased delinquency and current economic conditions.

Beneficial's ownership of this full-service commercial bank enables the Corporation to enjoy cash management efficiencies. All disbursements through the consumer finance loan office network, as well as all checks written by customers on revolving credit lines sold through the loan office network, are drawn on BNB. Consumer Finance System office deposits are made at regional banks and are electronically transferred and concentrated at BNB on a daily basis. Additionally, a full range of banking services, including deposit accounts, wire transfer, and check processing, are provided to the Corporation and its subsidiaries.

Beneficial National Bank originates and services the Tax Refund Anticipation Loans issued through H&R Block Offices. The Bank receives payment for these loans through electronic funds transfer of customers' refunds from the Internal Revenue Service.

Throughout 1991, the Bank will continue to increase its retail banking base. The Bank differentiates itself by emphasizing and providing high levels of personalized service and the best total value to its customers. Continued dedication to managing credit quality and achievement of greater cost efficiencies should assure that financial performance will continue to be strong in the future.

Refund Anticipation Loan Program

Over the past four years, Beneficial has conducted a cooperative program with H&R Block and certain of its franchisees, the dominant providers of tax preparation service nationally for consumers. Through Beneficial National Bank, "Refund Anticipation Loans" (RAL) are made to consumers entitled to a tax refund who file their returns with the Internal Revenue Service through Block's electronic filing system. After the return is processed, refund proceeds are directly transferred from the IRS via an electronic funds transfer to a unique consumer account at BNB with the proceeds applied to repay the outstanding loan.

Beneficial receives a flat fee for extending the loan. In 1990 the fee was reduced to $35.00 from $38.50 in 1989. The average loan amount was essentially unchanged at just under $1200. Growth in the number of RALs processed was excellent in 1990, as Beneficial made just over 1.2 million RALs, up from less than 600,000 in 1989 and 450,000 in 1988. Accordingly, despite the reduction in fee, profitability of the program was excellent. Another year of very strong performance from the RAL program is anticipated in 1991.

Beneficial Savings Bank

Beneficial Savings Bank (BSB) is Beneficial's consumer banking subsidiary. BSB is a Florida-based, federally chartered savings bank with 11 branches centered in the corridor between Tampa and Orlando. A relatively small institution, BSB ended the year with total assets of $116 million compared to $110 million at the end of 1989. The institution generated a small loss in 1990 after being marginally profitable in 1989.

While economic influences will have an impact on asset growth and credit quality in 1991, BSB has positioned itself well to maintain quality growth in consumer lending. In addition, the achievement of greater cost efficiencies should improve BSB's financial performance in the future.

Insurance Group

Although net income for Beneficial's Insurance Group was down slightly from record 1989 earnings, 1990 was, nonetheless, another strong year. Led by its major insurance subsidiary, The Central National Life Insurance Company Of Omaha (CNL), the Insurance Group reported total pretax income of $62.2 million, compared to $62.3 million in 1989, while net aftertax earnings declined to $42.7 million from $44.6 million in 1989.

The Insurance group's premiums written, the lion's share of which came through CNL, rose 15% to $244.2 million from $211.5 million in 1989. This increase was largely due to the purchase of a block of ordinary life insurance business that generated a one-time addition of $51.0 million of premiums written. The substantial premiums written gain from 1989 was partially offset by the termination of several reinsurance agreements amounting to $13.2 million that had outlived their utility.

Credit Related Products

CNL and its New York domiciled subsidiary, American Western National Life Insurance Company, rank among the industry leaders in the highly specialized consumer credit insurance marketplace, offering both life and disability coverages. These products are marketed primarily through the domestic Beneficial branch network. For 1990, credit premiums written through this distribution system were $65.8 million, a 3% decrease from the 1989 total of $67.5 million.

Credit insurance premiums written in the non-affiliated or independent market were $12.0 million in 1990, unchanged from 1989, as CNL began to make inroads in establishing new client relationships in this marketplace. This was encouraging given that marketing efforts are currently centered on the consumer loan operations of commercial banks, thrift institutions, finance companies and automobile dealerships in the Northeast, a region that is being heavily impacted by the current economic downturn. Although less profitable than the Beneficial-related business (as a result of the higher commissions paid to producers), this non-affiliate production continues to contribute to corporate profits.

Annuity Products

CNL continued to improve upon its successful 1989 entry into the annuity marketplace, with annuity sales of $77.1 million, up sharply from $12.4 million in 1989. The company markets single premium deferred annuities largely through its relationships with major S&L's and regional banks in the Middle Atlantic area, although in 1990 limited nationwide expansion was achieved through selected marketing companies and general agents. CNL also began offering annuities through Beneficial's banking subsidiary, Beneficial National Bank. With additional annuity variants added to the product line, CNL looks forward to the continued strong expansion of this business on a national level in 1991. Marketing efforts are aided by the fact that CNL is rated "A+" (the highest rating) by Best's Insurance Reports, and by the fact that the company is part of the Beneficial family.

Agency Operations

Insurance agency relationships are maintained with several outside insurance companies which offer credit property and selected non-credit related products. These products are marketed chiefly through the domestic Beneficial branch network. Agency operations earn a substantial commission, while the insurance risk of loss rests with the insurance carrier. Beneficial's role is one of retailer of the product rather than underwriter. Expansion of the agency approach through the delivery of a wider variety of insurance products to a greater number of Beneficial customers and potential customers is currently being explored. This would allow for increased agency earnings without incurring underwriting risk or significant operating costs. For 1990, as a result of the continual increase in commission income, agency operations reported pretax income of $13.8 million, compared to $12.1 million in 1989.

Investment Activities

Driven by strong cash flow from operations, significant investment income growth continued for 1990, with total pretax investment income increasing 18% to $37.1 million. The investment portfolio remains conservatively structured, consisting almost entirely of fixed-income obligations, predominantly "A" rated or better. Current new investment activities center on high-quality corporate debt obligations.

The outlook for Beneficial's Insurance Group remains excellent. Current and proposed product lines and distribution systems present attractive opportunities for solid expansion. CNL's overall expertise in the insurance marketplace, its responsive administrative staff devoted to fully servicing customer needs, and its sound financial position (statutory surplus of $174.2 million at year-end 1990 and the aforementioned "A+" rating from Best's) should enable it to build on current and past successes in both the Beneficial-related and independent marketplaces.

Harbour Island

Harbour Island is a 177-acre island development located just off the waterfront of downtown Tampa, Florida. The island is connected to downtown Tampa by two bridges and a modern people mover system. So far, only a modest portion of the island has been developed, with the major projects consisting of an office building, a retail market, a hotel, condominiums, and an athletic club. Of the 200 condominium units, 186 were either sold or under contract at year-end. The office building was sold during 1989. In 1988 a long-term direct financing lease was negotiated for the hotel, under the terms of which the lessor assumed full operating responsibility.

Three significant residential development projects were started in 1990: a 272-unit upscale garden apartment complex, a detached single-family owned project and a fee-simple townhouse project. Although the residential real estate market in the Tampa area is relatively soft, outside financing was arranged, and the initial market reaction to all three projects has been quite positive.

At year-end Beneficial's investment in and advances to Harbour Island totaled $108 million, compared to $113 million at the end of 1989. Pretax operating losses amounted to $21.0 million for 1990 compared to $24.7 million in the prior year. Most of this charge represents interest costs, since Beneficial assigns no equity to this project but funds it all with debt at the Company's overall melded cost of funds. Reflected in the pretax loss is depreciation expense of $2.2 million in 1990 and $2.0 million in 1989.

The Harbour Island development must be viewed as a long-term investment. Clearly, the Tampa real estate market, like most of Florida, is relatively slow, particularly on the commercial side. However, the Tampa area continues to be a vibrant, growing community with exceptional long-term prospects for continued growth. The fundamental outlook for the retail market and for the hotel has recently been enhanced by the opening of the major Tampa Convention Center directly across the bridge from Harbour Island. However, until significant parcels of the remaining 105 acres of raw land are sold, Beneficial's accounting losses from Harbour Island are not likely to decline substantially because of the continued significant cost to carry.

Other Real Estate

Subsidiaries of Beneficial also own nearly 700 acres of real estate adjacent to the Peapack, New Jersey office complex. This land, coupled with certain zoning approvals recently obtained, would appear to be a highly valuable corporate asset. However, given the current depressed state of the New Jersey real estate market, sales of significant parcels of this land do not appear likely this year.

BALANCE SHEET

(in millions) December 31	1990	1989
Assets		
Cash and Equivalents	$ 248.0	$ 81.2
Finance Receivables (Note 5)	8,007.0	6,901.7
Allowance for Credit Losses (Note 5)	(234.2)	(208.8)
Net Finance Receivables	7,772.8	6,692.9
Investments (Note 4)	493.3	383.4
Property and Equipment	197.5	225.5
Other Assets (Note 6)	558.4	564.5
Total Assets	$9,270.0	$7,947.5
Liabilities and Shareholders' Equity		
Short-Term Debt (Note 8)	$2,436.5	$1,985.0
Deposits Payable (includes employee thrift deposits)	489.1	389.4
Long-Term Debt (Note 9)	4,633.9	4,010.8
Total Interest-Bearing Debt	7,559.5	6,385.2
Accounts Payable and Accrued Liabilities (Note 7)	414.9	455.0
Insurance Policy and Claim Reserves	310.8	196.2
Total Liabilities	8,285.2	7,036.4
Shareholders' Equity:		
Preferred Stock (Note 10)	115.1	115.1
Common Stock (60.0 shares authorized; 22.4 shares issued and outstanding) (Note 10)	22.4	22.4
Additional Capital	61.0	60.1
Net Unrealized Loss on Equity Securities (Note 4)	(2.1)	(1.8)
Accumulated Foreign Currency Translation Adjustments	(10.5)	(11.1)
Retained Earnings	798.9	726.4
Total Shareholders' Equity	984.8	911.1
Total Liabilities and Shareholders' Equity	$9,270.0	$7,947.5

See Notes to Financial Statements.

STATEMENT OF INCOME AND RETAINED EARNINGS

(Unaudited) Three Months Ended December 31			Years Ended December 31		
1990	1989	(in millions, except per share amounts)	**1990**	1989	1988
		Revenues			
$351.0	$317.8	Finance Charges and Fees	**$1,338.4**	$1,250.9	$1,137.3
167.5	154.0	Interest Expense	**650.8**	627.5	544.7
183.5	163.8	Lending Spread	**687.6**	623.4	592.6
87.7	69.2	Insurance Premiums	**257.6**	209.8	186.2
34.3	30.9	Other	**159.5**	117.6	94.5
305.5	263.9	Total	**1,104.7**	950.8	873.3
		Operating Expenses			
65.2	59.1	Salaries and Employee Benefits	**256.9**	230.0	213.9
72.3	51.2	Insurance Benefits	**204.1**	150.5	125.7
34.7	23.8	Provision for Credit Losses	**115.8**	81.8	72.0
21.5	–	Provision for Loss on Leveraged Real Estate Partnerships (Note 3)	**21.5**	–	–
80.8	77.2	Other (Note 15)	**306.3**	287.0	293.8
274.5	211.3	Total	**904.6**	749.3	705.4
31.0	52.6	**Income From Continuing Operations, before Income Taxes**	**200.1**	201.5	167.9
12.1	21.0	Provision for Income Taxes (Note 16)	**83.1**	80.6	62.9
18.9	31.6	**Income From Continuing Operations**	**117.0**	120.9	105.0
13.4	–	Income From Discontinued Operations, after Income Taxes (Note 2)	**13.4**	–	–
32.3	31.6	**Net Income**	**130.4**	120.9	105.0
780.8	709.7	Retained Earnings, Beginning of Period	**726.4**	665.7	616.7
(14.2)	(13.1)	Dividends Paid (Note 14)	**(57.9)**	(58.4)	(56.0)
–	(1.8)	Premium Paid on Redemption of Redeemable Preferred Stock (Note 13)	**–**	(1.8)	–
$798.9	$726.4	**Retained Earnings, End of Period**	**$ 798.9**	$ 726.4	$ 665.7
		Earnings per Common Share			
$ .79	$ 1.36	Continuing Operations	**$ 5.01**	$ 5.01	$ 4.19
.60	–	Discontinued Operations	**.60**	–	–
$ 1.39	$ 1.36	**Earnings per Common Share**	**$ 5.61**	$ 5.01	$ 4.19
$ .60	$ .55	**Dividends per Common Share**	**$ 2.35**	$ 2.20	$ 2.00
22.3	22.3	**Average Common Shares Outstanding**	**22.3**	22.3	22.2

See Notes to Financial Statements.

STATEMENT OF CASH FLOWS

	Years Ended December 31		
(in millions)	**1990**	1989	1988
Cash Flows From Operating Activities			
Net Income	**$ 130.4**	$ 120.9	$ 105.0
Reconciliation of Net Income to Net Cash Provided by Operating Activities:			
Provision for Credit Losses	**115.8**	81.8	72.0
Provision for Deferred Income Taxes	**(23.5)**	(24.9)	(21.9)
Depreciation and Amortization	**34.4**	45.0	43.6
Insurance Policy and Claim Reserves	**114.6**	20.1	(18.4)
Accounts Payable and Accrued Liabilities	**(74.1)**	39.0	27.5
Provision for Loss on Leveraged Real Estate Partnerships	**21.5**	–	–
Loss on Discontinued Operation	**10.4**	–	–
Net Cash Provided by Operating Activities	**329.5**	281.9	207.8
Cash Flows From Investing Activities			
Loans Originated or Acquired	**(4,180.6)**	(3,664.5)	(3,393.5)
Loans Repaid or Sold	**3,051.8**	3,266.6	2,864.7
Other Receivables	**41.7**	(34.9)	6.4
Securities Purchased	**(1,628.7)**	(999.9)	(1,390.5)
Securities Sold or Matured	**1,524.2**	980.3	1,367.9
Investments in and Advances to Discontinued Operations	**.3**	7.1	(78.7)
Net Proceeds from Sales of Discontinued Operations	**–**	–	15.7
Property and Equipment Purchased	**(14.6)**	(10.8)	(24.2)
Other	**(28.4)**	(33.6)	(14.4)
Net Cash Used in Investing Activities	**(1,234.3)**	(489.7)	(646.6)
Cash Flows From Financing Activities			
Short-Term Debt, Net Change	**429.3**	38.8	(98.4)
Deposits Payable, Net Change	**88.5**	18.5	70.1
Long-Term Debt Issued	**1,286.1**	815.0	911.1
Long-Term Debt Repaid	**(674.4)**	(553.7)	(360.2)
Repurchase of Company Common Stock	**–**	–	(.7)
Redemption of Redeemable Preferred Stock	**–**	(60.1)	(16.7)
Dividends Paid	**(57.9)**	(58.4)	(56.0)
Net Cash Provided by Financing Activities	**1,071.6**	200.1	449.2
Net Increase (Decrease) in Cash and Equivalents	**166.8**	(7.7)	10.4
Cash and Equivalents at Beginning of Period	**81.2**	88.9	78.5
Cash and Equivalents at End of Period	**$ 248.0**	$ 81.2	$ 88.9
Supplemental Cash Flow Information			
Interest Paid	**$ 654.9**	$ 644.5	$ 537.7
Income Taxes Paid	**55.1**	70.0	44.5

See Notes to Financial Statements.

Financial Condition

Beneficial's leverage (the ratio of interest-bearing debt to total equity) increased to 7.68 times at the end of 1990 from 7.01 times at the end of 1989. The higher leverage reflects the financing necessary to fund continued strong growth in receivables. Borrowings in excess of current needs accounted for 26 basis points of leverage at December 31, 1990, an increase of 17 basis points in excess liquidity during the year.

Total assets grew 17% during the year, with finance receivables accounting for the majority of the growth. Finance receivables increased just over $1.1 billion, or 16%, while average receivables were up 8% for the year. Strongest growth continued to be in real estate secured loans, up $775 million or 18%, and personal unsecured loans, up $192 million or 10%. Acquisitions, primarily home equity loans, accounted for approximately $280 million of this receivables growth. It is believed that relatively good receivables growth will continue in 1991. At December 31, 1990, the finance receivable mix was 63% real estate secured, 27% personal unsecured, 7% sales finance contracts, and 3% commercial bank loans.

Other significant increases in total assets were in cash, which increased $167 million or 205%, and in investments, which increased $110 million or 29%. Cash levels at year-end 1990 reflect an increase in liquidity, resulting largely from short-term borrowings in excess of current needs. The increase in investments reflects strong annuity sales during the year and an investment of cash proceeds received by an insurance subsidiary in connection with an assumption of a block of ordinary life insurance in the second quarter of 1990.

Beneficial switched in 1990 to the contractual method of calculating loan delinquency from the previously utilized recency method in order to bring Beneficial more in line with the practice of the broader consumer lending industry. This switch had no impact on net income. On a contractual basis, consumer finance loan balances delinquent two months and greater decreased to 3.51% from 4.75% at the end of 1989. Net chargeoffs as a percentage of average receivables, however, increased to 1.31% from 1.11% in 1989. The increase over 1989 is largely due to a soft real estate market, especially in certain states in the northeastern United States and in Canada.

At year-end, the allowance for credit losses as a percentage of finance receivables was 2.93%, compared to 3.03% in 1989. Beneficial's reserve level at year-end 1990 covered the full year's net chargeoffs 2.3 times, compared to 2.7 times at the end of 1989, conservative ratios by industry standards. Because of Beneficial's greater emphasis on high-quality real estate secured loans over recent years, Beneficial has established a pattern of gradually reducing its reserve level. In 1990 the reserve was reduced 10 basis points. In 1989 and 1988 it was reduced 20 basis points each year.

Results of Operations

Reflecting a $21.5 million provision to fully write off the Company's investment as a limited partner in highly leveraged real estate partnerships (see Note 3 to the financial statements for additional information), 1990 earnings from continuing operations decreased 3% from 1989 levels despite improvement in margin and increased profits from refund anticipation loans. Comparable earnings per common share from continuing operations were flat. Removing the $21.5 million ($13.4 million aftertax) provision from 1990 results, 1990 earnings increased 8% over 1989 levels, while earnings per share were up 12%. In 1989, earnings were up 15% over 1988 and related earnings per common share were up 20%. The higher earnings per common share percentages in 1990 (after removing the special item) and 1989 resulted from reduced preferred dividend requirements related to redemptions of the Company's 9.25% redeemable preferred stock. 1988 results included a one-time charge reflecting the switch to another hardware supplier for Beneficial's Bencom III computer network project. Excluding this charge from 1988 earnings, the percentage increase in 1989 was 7%, rather than the 15% reported.

Reversing the trend of recent years, the lending spread increased as a percentage of average receivables. The lending spread was 9.44% in 1990, compared to 9.26% and 9.43% in 1989 and 1988, respectively, with the improvement attributable in large part to lower interest rates on short-term borrowings. The absolute dollar amount of interest expense increased $23.3 million in 1990 of which $42.1 million was attributable to higher debt levels, offset by $18.8 million because of lower interest rates. The Company minimizes its exposure to interest-rate risks by maintaining a conservative gap between its interest-sensitive assets and liabilities. In addition, the Company uses interest-rate swap agreements to hedge its interest-rate risks.

The gross yield declined to 18.38% in 1990 from 18.57% in 1989 and 18.10% in 1988. The decrease in yield from 1989 reflects the downward repricing of variable-rate revolving credit loans during the year as well as a higher proportion of lower-yielding real estate secured loans in the portfolio. Beneficial's fixed-rate real estate secured loans originated in 1990 were written at an average yield of 15.83%, compared to 16.18% in 1989 and 16.05% in 1988, while variable-rate real estate secured loans were written at a spread over prime of approximately 500 basis points. Variable-rate products are generally funded with lower-cost short-term debt. In 1990 the average yield on unsecured personal loans written was 25.56%, compared to 25.57% and 25.08% in 1989 and 1988, respectively.

Interest expense as a percentage of average receivables was 8.94% in 1990, compared to 9.31% in 1989 and 8.67% in 1988. Beneficial's total worldwide, melded-average borrowing cost, including revolving credit commitment fees and issuance costs, was 9.55% in 1990 compared to 9.97% and 9.33% in 1989 and 1988, respectively. Despite fluctuations in interest rates, interest expense in absolute terms has increased steadily, reflecting higher borrowing levels necessary to support receivables growth.

Insurance premium revenue comparisons are distorted by life and accident and health reinsurance contracts and by the assumption in 1990 of a block of ordinary life insurance business. These transactions had only minimal effect on net income, as reinsurance benefits and commission expenses are distorted by essentially offsetting amounts. Excluding these items, premium revenue was up 5% from 1989. In 1989 it was down 6% from 1988.

Other revenue increased 36% in 1990 over 1989 and 24% in 1989 over 1988 principally due to higher investment income and income from refund anticipation loans and, in addition in 1990, from servicing income from securitized receivables. Over the past four years Beneficial has conducted a cooperative program with certain income tax preparation enterprises. Under this program, consumers entitled to a tax refund who file their return with the Internal Revenue Service by an electronic filing system can obtain a refund anticipation loan from a Beneficial subsidiary. The subsidiary receives a flat fee for extending the loan. After a pilot program in 1987, the program went into full operation in 1988. Because of problems with screening refund applications, write-offs of loans resulted in a pretax loss of $4.8 million in 1988; however, most of these problems were corrected, and pretax income of $12.0 million and $32.9 million was recorded in 1989 and 1990, respectively. This program is reviewed annually and has been implemented for 1991. In the event the program is not renewed in subsequent years, there would be an adverse impact on earnings of the Company.

Harbour Island, Beneficial's real estate subsidiary in Tampa, Florida, recorded pretax operating losses of $21.0 million in 1990, compared to $24.7 million and $22.6 million in 1989 and 1988, respectively. Interest costs contributed $16.4 million and $17.0 million to the pretax operating losses in 1990 and 1989. Beneficial assigns no equity to the project but funds it with debt at the Company's overall melded cost of funds. The lower loss in 1990 as compared to 1989 reflects lower average borrowing levels in 1990 because of the sale of an office building in mid-1989 and lower interest rates in 1990. The increase in the loss in 1989 from 1988 reflects a one-time environmental clean-up cost of approximately $2.4 million.

The effective tax rates on income before income taxes were 41.5%, 40.0% and 37.5% in 1990, 1989 and 1988, respectively. The statutory rates were 34% in all three years. The effective tax rates were higher than the U.S. statutory rates primarily because of state income taxes, incremental taxes on foreign operations, and other miscellaneous items.

Fourth quarter net income included two items relating to discontinued operations. In December, the Company received a $34.0 million payment in full settlement of a contingent note and an equity option it held in the insurance subsidiaries which were sold in 1987 as part of the Company's major corporate restructuring. Offsetting this credit in discontinued operations was a $10.4 million charge to reflect a credit guarantee the Company had granted to the purchaser of two Eastern Airlines 727-200 aircraft leveraged leases. The leveraged lease portfolio was also sold during Beneficial's restructuring. The net aftertax gain of these transactions of $13.4 million is reflected in income from discontinued operations. Additional information is included in Note 2 to the financial statements.

Changes in Cash Flow

The Company's principal sources of cash are collections of finance receivables, proceeds from the issuance of short- and long-term debt, and cash provided from operations. The Company derives a relatively stable source of liquidity and cash flows from maturities and repayments of its receivables. The monthly collections of cash principal as a percentage of average balances were 3.42% in 1990 and 3.70% in 1989.

Substantial additional liquidity is available through a variety of committed bank credit lines which the Company maintains in support of its commercial paper borrowings. At year-end 1990, total lines of credit were $2,123 million, all in the form of committed multi-year revolving credit facilities. The unused portion of all lines of credit was $1,782 million at December 31, 1990.

In addition, in 1989 Beneficial subsidiaries sold $248 million of home equity loan receivables through a securitization in the capital markets. While the Company did not securitize additional receivables in 1990, the securitization in 1989 establishes Beneficial's ability to access this additional funding source and reach a new base of investors.

One of the Company's financial strengths is its ability to raise long-term debt in a wide variety of domestic and international markets. Long-term debt issued during 1990 amounted to $1,289 million, with an average interest rate of 9.37% and an average maturity of 5.6 years. $675 million of long-term debt with an average interest rate of 10.12% matured. In 1990 long-term debt represented 61.3% of the Company's total "Funding Base" down from 62.8% at the end of 1989.

At December 31, 1990, the Company had available under a shelf registration with the Securities and Exchange Commission $80 million of unissued debt securities. In December 1990, a shelf registration for $2.0 billion was filed with the Securities and Exchange Commission. The registration became effective in February 1991.

The Company's principal uses of cash are loans to customers, repayments of maturing debt, dividends to shareholders, and general operating needs.

NOTES TO FINANCIAL STATEMENTS
(in millions, except per share amounts)

1. Summary of Significant Accounting Principles and Practices

a) Basis of Consolidation. The consolidated financial statements include, after intercompany eliminations, the accounts of all subsidiaries except discontinued operations. All adjustments which, in the opinion of management, are necessary for a fair presentation have been reflected. Certain prior period amounts have been reclassified to conform with the 1990 presentation.

b) Finance Operations. The financial statements are prepared on the accrual basis. Finance charges are recognized as income using the interest method or methods which produce similar results. Income accrual is suspended after 30 days on delinquent loans.

Real estate secured receivables are reviewed individually by management, and a determination is made as to their collectibility. Accounts known to be uncollectible are charged off. In general, other receivables are automatically charged off after no payment has been made for six months. For all types of loans, collection efforts are generally continued.

c) Insurance Operations. The Company's insurance subsidiaries are engaged in writing credit life and credit accident and health insurance, ordinary life insurance and single premium annuities. Premiums on credit life insurance are taken into income using the sum-of-the-digits or actuarial methods, except in the case of level-term contracts, which are taken into income using the straight-line method over the lives of the policies. Premiums on credit accident and health insurance are generally taken into income using an average of the sum-of-the-digits and the straight-line methods. Premiums for ordinary life insurance are included in income when due. Premiums collected on annuity contracts are included as a liability in insurance policy and claim reserves, and annuity income is recognized in investment income as the difference between interest earned and interest credited on the contracts. Policy reserves for credit life and credit accident and health insurance are equal to related unearned premiums. Additionally, claim reserves for credit life and accident and health are adjusted to reflect claim experience. Liabilities for future life insurance policy benefits associated with ordinary life contracts are accrued when premium revenue is recognized and are computed on the basis of assumptions as to investment yields, mortality, morbidity and withdrawals.

d) Valuation of Investments. Debt securities are carried at amortized cost; equity securities are generally carried at market value. The adjustment of the carrying amount of marketable equity securities from cost to market value is recorded directly in shareholders' equity through a valuation allowance. The Company has both the ability and the present intention of holding these securities until maturity.

e) Translation of Foreign Currencies. Assets and liabilities in foreign currencies are translated at the market rates at each balance sheet date. Foreign operating results are translated at the average market rates for each period covered by the statement of income. The resulting translation adjustments are recorded in "Accumulated Foreign Currency Translation Adjustments" in the balance sheet.

f) Foreign Currency and Interest Rate Exposures. The Company has entered into various off-balance-sheet transactions to manage its foreign currency and interest rate exposures. These transactions include options, currency swaps and forwards for foreign currency risk management and interest rate swaps for interest rate exposure management. Gains or losses on foreign currency instruments designated as hedges of the Company's net investments in foreign subsidiaries are included with translation adjustments in equity. Gains or losses on these instruments in excess of the amount needed to offset net investment losses or gains are included in income. The net amount of interest income and interest expense on interest rate swap agreements used to hedge interest rate exposure are recognized in interest expense over the lives of the instruments. The Company's policy is to participate only with highly rated financial institutions as counterparties in the above-mentioned transactions.

g) Amortization of Intangible Assets. Premiums paid on receivables purchased are being amortized using straight-line and accelerated methods generally over five years. Excess cost applicable to acquisitions is generally being amortized over 40 years.

h) Earnings per Common Share. Earnings per common share are computed by deducting dividend requirements on preferred stocks from net income and dividing the remainder by average shares outstanding and their equivalents. None of the preferred stocks are common stock equivalents.

i) Cash Equivalents. The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

2. Income from Discontinued Operations

In 1986 the Company adopted a comprehensive plan for restructuring which resulted in the Company concentrating principally on its core consumer finance business and selling non-core subsidiaries. Among other dispositions, the Company completed sales of its major domestic property and casualty insurance company (ACIC) and international insurance subsidiaries in May 1987 and sold substantially all of its leveraged lease portfolio in the latter part of 1987.

In part, the compensation received for the insurance subsidiaries was a ten year $60.0 face amount note on which payments were contingent on subsequent performance of ACIC, and an option to purchase 9.9% of the stock of the international insurance subsidiaries sold. No value was placed on the contingent note or the purchase option. In December 1990, the purchaser of ACIC and the former international insurance subsidiaries and the Company agreed to settle the contingent note and option for $34.0. The net aftertax gain was $20.3.

As a condition of the sale of the lease receivables in 1987, the Company guaranteed payment to a purchaser in the event of default by Eastern Airlines on two leases for airplanes. In view of Eastern's current financial status and uncertainties in the aircraft re-leasing market, the Company is likely to have to honor that commitment. Accordingly, the Company has set up a reserve of $10.4 ($6.9 aftertax) for the maximum cash payment which may be required.

The $13.4 net after-tax effect of the above two items has been recorded in Income from Discontinued Operations in the statement of income.

3. Provision For Loss on Leveraged Real Estate Partnerships

A subsidiary of the Company entered into an agreement in prior years whereby up to $21.5 would be invested by the subsidiary as a limited partner in certain highly leveraged real estate partnerships. Beneficial's security for such investment is secondary to the principal lender for such real estate ventures. As a limited partner, the subsidiary has no control over management or operation of the partnership. In prior years, this investment is included in other assets in the balance sheet. The Company has no other investments of this nature. The general partner has an agreement with an unaffiliated company for $100 of financing for projects. The partnership reached the limit of this agreement in late January 1991, and it is doubtful that the general partner will be able to secure additional financing to meet the partnership's obligations under the agreement and otherwise. Even if additional financing is obtained, it is unlikely to be at terms favorable to Beneficial's position. Also, a petition in involuntary bankruptcy was filed with respect to one of the significant investments in early February 1991. In view of these facts, the Company has established a reserve against the potential loss of all of the subsidiary's investment in the respective leveraged real estate partnerships.

4. Investments

The amortized cost and estimated market values of investments in debt securities at December 31, 1990 are as follows:

	Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Debt Securities:				
Municipal	**$ 83.7**	**$ .8**	**$ (5.4)**	**$ 79.1**
Corporate	**290.5**	**3.1**	**(5.6)**	**288.0**
U.S. Government	**58.2**	**1.0**	**(.2)**	**59.0**
Commercial Paper	**13.1**	**–**	**–**	**13.1**
Other	**33.9**	**.2**	**–**	**34.1**
Total	**$479.4**	**$5.1**	**$(11.2)**	**$473.3**

The amortized cost and estimated market value of debt securities at December 31, 1990, by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Carrying Amount	Market Value
Due in one year or less	**$ 32.2**	**$ 33.2**
Due after one year through five years	**55.1**	**82.8**
Due after five years through ten years	**165.8**	**148.5**
Due after ten years	**226.3**	**208.8**
Total	**$479.4**	**$473.3**

The amortized cost of debt securities at December 31, 1989 was $365.4, and the estimated market value was $363.8.

Proceeds from sales of debt securities during 1990 were $1,208.9. Gross gains of $2.1 and gross losses of $.2 were realized on those sales.

Investments in equity securities totaled $13.9 and $18.0 at December 31, 1990 and 1989, respectively. The cost of such equities was $16.0 and $19.8. Unrealized losses totaling $2.1 in 1990, and unrealized gains of $.1 and unrealized losses of $1.9 in 1989, are reflected directly in a component of shareholders' equity. The cost of investments sold is determined on the specific cost identification basis.

5. Finance Receivables and Allowance for Credit Losses

Finance receivables, net of unearned finance charges of $359.3 and $334.8 at December 31, 1990 and 1989, respectively, and maximum term in months from origination are as follows:

	Amount		Maximum Term	
December 31	**1990**	1989	**1990**	1989
Real Estate Secured Loans	**$5,008.3**	$4,233.4	**180**	180
Personal Unsecured Loans	**2,170.8**	1,979.2	**120**	120
Sales Finance Contracts	**590.5**	524.4	**60**	60
Commercial Bank Loans	**237.4**	164.7	**360**	360
Total	**$8,007.0**	$6,901.7		

Scheduled contractual payments of finance receivables to be received after December 31, 1990 are as follows:

	1991	1992	1993	1994	Beyond
Real Estate Secured Loans	19%	13%	13%	13%	42%
Personal Unsecured Loans	47	30	15	4	4
Sales Finance Contracts	81	13	4	1	1
Commercial Bank Loans	29	12	9	7	43
Overall	31	17	12	10	30

The above tabulation of scheduled contractual payments is not a forecast of collections. Collections of principal of finance receivables amounted to $2,985.6 for 1990 and $2,993.5 for 1989. The percentage of monthly cash principal collections to average balances was 3.42% for 1990 and 3.70% for 1989.

An analysis of the allowance for credit losses follows:

	1990	1989
Balance at Beginning of Year	**$208.8**	$212.8
Loans Charged Off	**(116.7)**	(92.9)
Recoveries on Loans Previously Charged Off	**16.6**	14.9
Provision for Credit Losses	**115.8**	81.8
Other	**9.7**	(7.8)
Balance at End of Year	**$234.2**	$208.8

6. Other Assets

December 31	**1990**	1989
Accrued Investment Income	**$ 22.6**	$ 23.3
Deferred Income Tax Benefits	**162.1**	163.0
Deferred Premium on Sale of Mortgages	**26.9**	22.1
Excess Cost of Net Assets Acquired	**21.6**	23.5
Insurance Premiums Receivable	**14.2**	22.7
Investments in and Advances to Discontinued Operations	**19.6**	26.8
Miscellaneous Accounts and Notes Receivable	**43.3**	57.6
Mortgage Loans Held for Resale	**40.7**	54.5
Premiums on Accounts Purchased	**17.6**	1.0
Property Acquired by Foreclosure	**41.5**	20.0
Unamortized Insurance Policy Acquisition Costs	**44.5**	43.4
Unamortized Software Costs	**24.8**	24.5
Other	**79.0**	82.1
Total	**$558.4**	$564.5

7. Accounts Payable and Accrued Liabilities

December 31	**1990**	1989
Accounts Payable	**$ 68.1**	$ 96.1
Accrued and Deferred Compensation	**49.1**	44.8
Accrued Interest	**87.4**	89.4
Accrued Pension Cost	**23.1**	24.6
Dealer Reserves	**12.3**	12.3
Income Taxes Payable	**81.2**	60.1
Insurance Premiums Payable	**22.5**	20.2
Other	**71.2**	107.5
Total	**$414.9**	$455.0

8. Short-Term Debt

Short-term debt outstanding, of which 81.8% and 88.7% of the total at December 31, 1990 and 1989, respectively, is payable in U.S. currency, consists of the following:

December 31	1990	1989
Bank Borrowings	**$ 375.7**	$ 230.6
Commercial Paper	**2,060.8**	1,754.4
Total	**$2,436.5**	$1,985.0

The Company maintains committed revolving credit facilities in support of its outstanding commercial paper. The unused portion of bank lines of credit at December 31, 1990 is $1,782.4. Generally, lines of credit provide for a fee of ⅛% per annum on the lines.

Average interest rates (including the costs of maintaining lines of credit) on borrowings outstanding at year-end are as follows:

	1990	1989	1988
Bank Borrowings	**12.90%**	12.92%	12.16%
Commercial Paper	**8.55**	9.01	9.78

The weighted-average annual interest rates (including the costs of maintaining lines of credit) and additional data for short-term debt are as follows:

	1990	1989	1988
Maximum Amount at Any Month End	**$2,436.5**	$2,356.7	$2,376.0
Daily Average Amount	**2,113.7**	2,054.3	2,036.1
Weighted-Average Short-Term Interest Rates*			
U.S. Dollar	**8.45%**	9.56%	7.98%
Other Currencies	**13.97**	12.92	9.17
Overall	**9.25**	9.96	8.12

*Rates have been determined by relating short-term interest costs for each year to the daily average dollar amounts outstanding.

9. Long-Term Debt

Long-term debt outstanding is as follows:

December 31	1990	1989
Currency:		
United States	**$4,447.4**	$3,770.6
Canadian	**128.9**	191.7
German	**58.4**	51.7
Unamortized Discount	**(.8)**	(3.2)
Total	**$4,633.9**	$4,010.8

Long-term debt, including weighted-average interest rates by year of maturity on debt outstanding at December 31, 1990, is shown below in the earliest year it could become payable:

Maturity	Weighted-Average Interest Rates	1990	1989
1990		**$ –**	$ 723.1
1991	9.94%	**696.4**	646.8
1992	9.38	**645.0**	468.2
1993	9.21	**608.7**	553.7
1994	10.92	**557.9**	475.6
1995	9.67	**658.0**	211.4
1996–2000	9.08	**1,091.8**	556.9
2001–2005	8.06	**210.7**	210.7
2006–2010	8.40	**82.7**	84.1
2011–2013	12.83	**83.5**	83.5
Unamortized Discount		**(.8)**	(3.2)
Total		**$4,633.9**	$4,010.8

The weighted-average annual interest rate on debt outstanding at end of year was 9.58% for 1990 and 9.74% for 1989.

The weighted-average interest rates (including issuance costs) on the Company's long-term debt outstanding during the years ended December 31 were as follows:

	1990	1989
U.S. Dollar Borrowings	**9.64%**	9.98%
Other Currency Borrowings	**9.37**	9.26
Overall	**9.62**	9.93

10. Capital Stock

The number of shares of capital stock outstanding is as follows:

	December 31 1990	1989
5% Cumulative Preferred—$50 par value. Authorized, 585,730	**407,718(a**	407,718(a
$5.50 Dividend Cumulative Convertible Preferred—no par value—$20 stated value (each share convertible into 4.5 shares of Common; maximum liquidation value, $3,252,900 and $3,476,800). Authorized, 1,164,077	**32,529**	34,768
$4.50 Dividend Cumulative Preferred—$100 par value. Authorized, 103,976	**103,976**	103,976
$4.30 Dividend Cumulative Preferred—no par value—$100 stated value. Authorized, 1,069,204	**836,585**	836,585
Common—$1 par value. Authorized, 60,000,000	**22,414,564(b**	22,404,494(b
After deducting treasury shares		
a) 5% Cumulative Preferred	**178,012**	178,012
b) Common	**4,822,066**	4,822,066

At December 31, 1990, a total of 184,544 shares of Common Stock was reserved for conversion of $5.50 Preferred and 10.5% Convertible Instalment Notes. During the year, 10,070 shares of Common Stock were issued upon conversion of the $5.50 Preferred Stock.

The Company is authorized to issue 500,000 shares of Preferred Stock—no par value and 2,500,000 shares of Preferred Stock—$1 par value. Also, the Company is authorized to issue 250,000 shares of Series A Participating Preferred—$1 par value in connection with preferred stock purchase rights (see Note 11). None of these authorized preferred shares are issued or outstanding.

11. Preferred Stock Purchase Rights

In 1987, the Company declared a dividend distribution of one Preferred Stock Purchase Right for each outstanding share of Common Stock of the Company. Each Right entitles the registered holder to purchase from the Company one one-hundredth of a share of the Company's Series A Participating Preferred Stock at a price of $175, subject to adjustment under certain circumstances. Until the Rights become exercisable, expire or are redeemed, they will automatically trade with the Common Stock. If the rights become exercisable, separate certificates will be distributed and the Rights will begin to trade independently from the Company's Common Stock, but will at no time have voting power.

The Rights will be exercisable ten days after public announcement that a person has acquired 15 percent or more of the Company's outstanding Common Stock or has made a tender offer for 15 percent or more of the Company's outstanding Common Stock. In addition, the Rights will become exercisable if the Board of Directors determines that the owner of at least 10% of the general voting power has become an "Adverse Person" (as defined in the Plan).

If, at any time after the Rights become exercisable, but before they expire or are redeemed, the Company is acquired in a merger or other business combination or sells 50% or more of its assets or earning power, the holder of a Right will be entitled to buy, at the exercise price, a number of shares of Common Stock of the acquiring or surviving company having a market value of twice the exercise price of each Right.

In addition, if a 15% or greater shareholder acquires the Company by means of a reverse merger in which the Company and its stock survive or engages in certain self-dealing transactions with the Company, or if a person acquires shares of the Company's stock having 15% or more of the general voting power, each Right not owned by the 15% or greater holder would become exercisable for a number of shares of Participating Preferred Stock of the Company having a market value of two times the exercise price of the Right. The Rights held by the 15% or greater holder would be denied the benefit of this adjustment.

Generally, the Rights may be redeemed by the Company for $.05 per Right at any time prior to the expiration of the Rights on November 23, 1997.

12. Stock Options

In November 1990, the Board of Directors of the Company adopted a non-qualified stock option plan (Plan), subject to shareholder ratification. The Plan and any benefits granted thereunder shall be null and void if shareholder ratification is not obtained within twelve months of the adoption of the Plan by the Board of Directors.

Subject to adjustment in the case of any change in the common stock of the Company by reason of stock dividends, merger, and similar changes, the aggregate number of options for any calendar year shall not exceed 1-3/4% of the total issued and outstanding common stock of the Company, as measured on the first day of any such calendar year. If during any such calendar year, the total number of authorized options are not granted, the remainder will be available for granting during any succeeding year during the term of this Plan. Shares of common stock to be issued upon exercise of options may be treasury shares reacquired by the Company or authorized and unissued common shares or a combination of both.

The option price per common share under each option granted shall not be less than 100% of the fair market value per common share on the date an option is granted. The number of options and the periods of time over which such options shall be exercisable are determined by a committee of the Board of Directors. In general, the exercise period commences one year after date of grant and extends for ten years.

A maximum of 387,862 options were authorized for the Plan for the year 1990. A total of 379,750 options were granted, including 14,000 options for non-employee directors, at an average price of $43.50 for employees and $44.875 for outside directors. Options were granted for terms up to ten years and are exercisable in cumulative annual increments of 25 percent each year, commencing one year after date of grant. The option price was the fair market value of the shares on date of grant.

13. Redeemable Preferred Stock

In November 1989, the Company called for redemption all of its 9.25% Series Redeemable Preferred stock outstanding. The Company had the right to purchase the 41,670 outstanding shares beginning November 15, 1989, at a price of $1,043.82, declining ratably thereafter to $1,000 per share. The premium paid on redemption of the shares is reflected as a reduction to 1989 retained earnings.

14. Cash Dividends Paid

December 31	**1990**	1989	1988
Preferred Stock:			
9.25% Series ($92.50 per share)	**$ –**	$ 4.0	$ 6.5
5% ($2.50 per share)	**1.0**	1.0	1.0
$5.50 Convertible ($5.50 per share)	**.2**	.2	.2
$4.50 ($4.50 per share)	**.5**	.5	.5
$4.30 ($4.30 per share)	**3.6**	3.6	3.6
	5.3	9.3	11.8
Common Stock ($2.35, $2.20, and $2.00 per share)	**52.6**	49.1	44.2
Total Cash Dividends	**$57.9**	$58.4	$56.0

15. Other Expenses

December 31	**1990**	1989	1988
Occupancy	**$ 62.3**	$ 60.3	$ 59.7
Commissions	**29.9**	30.7	39.8
Depreciation	**26.9**	22.0	23.8
Marketing	**25.0**	23.3	21.2
Postage	**10.8**	10.0	9.5
Printing	**13.3**	12.7	11.2
Professional Services	**15.5**	13.7	11.0
Provision Related to Data Processing Upgrade	**–**	–	12.0
Telecommunications	**19.2**	18.5	17.6
Travel	**15.0**	12.5	11.3
Other	**88.4**	83.3	76.7
Total	**$306.3**	$287.0	$293.8

16. Income Taxes

The Company files a consolidated U.S. federal income tax return with all eligible subsidiaries, including eligible discontinued operations. Income taxes, whether payable currently or in the future, are provided on reported earnings.

The provision for income taxes for continuing operations is comprised of the following:

December 31	**1990**	1989	1988
Current:			
U.S.	**$ 81.5**	$ 77.6	$ 58.9
Foreign	**16.1**	18.7	17.9
Total	**97.6**	96.3	76.8
Deferred:			
U.S.	**(25.4)**	(23.3)	(20.7)
Foreign	**(.2)**	(1.6)	(1.2)
Total	**(25.6)**	(24.9)	(21.9)
State and Local	**11.1**	9.2	8.0
Total Provision for Income Taxes	**$ 83.1**	$ 80.6	$ 62.9

Deferred income taxes result from timing differences in the recognition of income and expense for tax and financial statement purposes. The tax effects of the principal timing differences are as follows:

December 31	**1990**	1989	1988
Differences Between Cash and Accrual Basis	**$ (1.1)**	$ (6.6)	$ (1.4)
Insurance Benefits Provided	**.8**	1.1	1.5
Tax Depreciation in Excess of Book Depreciation	**1.6**	2.1	2.5
Reserve for Credit Losses	**(22.4)**	(17.7)	(18.7)
Deferred Retirement Plan Credits	**.5**	.7	.7
Insurance Policy Acquisition Costs	**(1.1)**	(1.3)	(2.0)
Data Processing Upgrade	**–**	–	(4.1)
Loss on Leveraged Real Estate Partnerships	**(8.1)**	–	–
Other	**4.2**	(3.2)	(.4)
Total Provision for Deferred Income Taxes	**$(25.6)**	$(24.9)	$(21.9)

A reconciliation of the provision for income taxes at the statutory U.S. income tax rate to the tax provision as reported follows:

December 31	**1990**	1989	1988
Statutory U.S. Tax Rate	**34.0%**	34.0%	34.0%
Increase (Decrease):			
Differential Due to Operations Outside U.S.	**3.2**	2.9	2.5
Non-Taxable Investment Income	**(1.4)**	(2.2)	(2.2)
State and Local Income Taxes	**3.4**	2.8	2.9
Other	**2.3**	2.5	.3
Effective Tax Rate	**41.5%**	40.0%	37.5%

U.S. income taxes have not been provided at December 31, 1990 on $41.2 of undistributed earnings of foreign subsidiaries, which are expected to be permanently invested in foreign countries, and on $77.8 of undistributed earnings of life insurance subsidiaries accumulated as policyholders' surplus under tax laws in effect prior to 1984. The additional U.S. income tax on foreign earnings, if repatriated, would be largely offset by foreign tax credits.

The State of New Jersey has advised the Company that it is investigating whether the Company should have paid corporate income and net worth taxes in that state for certain years. It has been the Company's position that it does not transact business in any state other than Delaware, except through subsidiaries authorized to conduct business in such states. The Company is currently engaged in discussions with New Jersey tax authorities and believes it has adequately provided for any potential state tax liability.

17. Future Impact of Issued Accounting Standards

In 1987 the Financial Accounting Standards Board (FASB) issued Statement No. 96, which requires a change in accounting for income taxes effective in 1992. The FASB is considering certain aspects of this statement including deferring the effective date. As a result, the Company has not determined the date of adoption or the effect on operating results of the statement.

In 1990 the FASB issued Statement No. 106, which requires a change in accounting for post-retirement benefits other than pensions. The statement requires that the estimated cost of post-retirement benefits be recorded on an accrual basis, rather than a cash basis. The Company has not yet determined the effect of the adoption of the statement on the financial statements or the date or method of adoption. This statement must be adopted no later than 1993.

18. Employee Retirement Plans

The Company has a non-contributory defined benefit pension plan covering substantially all of Beneficial's employees in the United States. The benefits provided are based on the employee's age, years of service, and average compensation during the highest three consecutive years of earnings. The Company has made annual contributions at least equal to the amounts accrued for retirement expense. Plan assets are invested primarily in corporate bonds and short-term investments.

Employees of non-U.S. subsidiaries generally receive retirement benefits from company-sponsored plans or from statutory plans administered by governmental agencies in other countries.

Net pension expense for domestic operations was $5.4, $5.0, and $4.5 for 1990, 1989 and 1988, respectively. Pension expense for the Company's subsidiaries outside the United States was $1.0, $1.0, and $1.1 for the same periods. In addition, the Company funds a 401(k) savings plan under which basic contributions are made annually up to 2.5% of each eligible employee's annual compensation up to $0.2. Costs charged to income for the years ended December 31, 1990, 1989 and 1988 were $3.0, $2.5 and $2.2, respectively.

The domestic plan's funded status and amounts recognized in the Company's balance sheet are as follows:

December 31	1990	1989
Actuarial Present Value of Vested Benefit Obligation	**$18.6**	$14.0
Accumulated Benefit Obligation	**$28.4**	$25.2
Actuarial Present Value of Projected Benefit Obligation	**$63.7**	$57.1
Less Plan Assets at Fair Value	**26.9**	28.4
Projected Benefit Obligation in Excess of Plan Assets	**36.8**	28.7
Less Unrecognized Net Loss	**13.7**	4.1
Accrued Pension Cost Included in Other Liabilities	**$23.1**	$24.6

For both 1990 and 1989, the projected benefit obligation was determined using an assumed discount rate of 8.5%, an assumed long-term rate of return on assets of 9%, and an assumed long-term rate of increase in future compensation levels of 5.5%.

The following table details the components of net pension expense for domestic operations:

December 31	1990	1989	1988
Service Cost—Benefits Earned During Period	**$ 2.6**	$ 2.6	$ 2.3
Interest Cost on Projected Benefit Obligation	**5.0**	4.2	3.7
Actual Return on Plan Assets	**(2.2)**	(1.8)	(1.5)
Net Periodic Pension Cost	**$ 5.4**	$ 5.0	$ 4.5

19. Geographic Information

Operations are conducted through subsidiaries located primarily in the United States. Operations outside the U.S. are conducted through subsidiaries in Canada, the United Kingdom and Germany. The Company's exposures in foreign currencies are hedged to the extent practical.

Data by geographic area for the years ended December 31 is shown in the following tabulation:

	United States	Other	Inter-Company Eliminations	Total
1990				
Revenue	**$1,553.1**	**$ 217.4**	**$ (15.0)**	**$1,755.5**
Income before Income Taxes	**177.8**	**22.3**	**–**	**200.1**
Assets	**8,208.2**	**1,187.4**	**(125.6)**	**9,270.0**
1989				
Revenue	1,396.3	191.4	(9.4)	1,578.3
Income before Income Taxes	177.5	24.0	–	201.5
Assets	7,053.9	964.9	(71.3)	7,947.5
1988				
Revenue	1,245.6	180.0	(7.6)	1,418.0
Income before Income Taxes	140.3	27.6	–	167.9

20. Leases

The consumer finance system operates from premises under leases generally having an original term of five years with a renewal option for a like term. The Company leases its headquarters in Wilmington, Delaware, under a lease expiring in 1993. Also, a subsidiary leases an office complex with a primary term expiring in 1999 and renewal options totaling fifty-eight years. Data processing equipment lease terms range from one to four years and are generally renewable. The minimum rental commitments under noncancelable operating leases at December 31, 1990 are as follows:

1991	$ 45.1
1992	42.3
1993	38.9
1994	34.5
1995	29.2
1996–2000	98.4
2001–2013	2.7
Total	$291.1

21. Forward Contracts, Options and Currency Swaps

At December 31, 1990, the Company had forward contracts, options and currency swaps maturing from 1991 to 1994 obligating it to deliver British pounds, Canadian dollars, and German marks in exchange for $470 in U.S. dollars. Concurrently, the Company had sold options to buy Canadian dollars and British pounds in exchange for $238 U.S. dollars. All options held or sold at December 31, 1990 expire in 1991. The agreements were entered into in order to hedge the Company's exposure in foreign currencies to the extent practical.

22. Interest Rate Swap Agreements

The Company periodically enters into interest rate swap agreements to reduce the impact of fluctuations in interest rates on its short-term debt portfolio. At December 31, 1990, the Company had outstanding three agreements with financial institutions which have effectively fixed the rate of interest paid on $277 of short-term borrowings at an average rate of 9.41%, with maturities from 1991 to 1993. Also, the Company has an agreement expiring in 1991 in which interest received on $100 notional amount is fixed at 8.044% and is paid based on the 30-day commercial paper rate. The Company is exposed to credit loss to the extent of net interest receivable, if any, in the event of nonperformance by other parties to the agreements. However, the Company does not anticipate nonperformance by the counterparties.

23. Significant Concentrations of Credit Risk

The Beneficial Finance System has loan offices located in 40 states and in Canada, Germany and the United Kingdom. Beneficial has its highest percentage of receivables in California (29%) with no other state or country having more than 8%. About 92% of receivables in California are real estate secured as compared to 63% for the overall system. Real estate secured loans are generally limited to 75% (including the existing first mortgage) of the appraised value of the home as determined by certified, independent appraisers. Prior to consideration of the value of the property, the borrower must demonstrate his ability to repay the loan.

24. Commitments and Contingent Liabilities

In 1989 Beneficial securitized approximately $248 in revolving credit loans through a trust created as a real estate mortgage investment conduit. Under terms of the sale, the purchaser has limited recourse against Beneficial should certain amounts of the loans prove to be uncollectible. However, Beneficial has reserves against these off-balance-sheet instruments which Beneficial deems adequate to provide for any accounts found to be uncollectible. At December 31, 1990, the aggregate unpaid balance of receivables securitized was $139. Beneficial has retained collection and administrative responsibilities as agent for the purchaser.

Beneficial also has commitments to extend additional credit to customers under revolving real estate and personal unsecured loan contracts as long as there is no violation of any condition established in the contract. The commitments generally have fixed expiration dates or other termination clauses and generally require payment of a fee. As of December 31, 1990, committed lines totaled approximately $2,400 of which about 15% was available for further loans.

MANAGEMENT'S REPORT

Management is responsible for the preparation of the financial statements and related notes contained in this Annual Report and believes that such financial data presents fairly the Company's results of operations and financial position. These statements necessarily include amounts based on the best estimates and judgements of management, all in conformity with generally accepted accounting principles.

The Company maintains a system of internal control which provides reasonable assurance that assets are safeguarded and transactions are executed and recorded in accordance with management's authorization. An integral part of the Company's internal control system is an active internal audit staff.

The Company's independent auditors, Deloitte & Touche, perform annual audits in accordance with generally accepted auditing standards. Their examinations include a review of the internal control system to establish a basis for reliance thereon in determining the nature, extent and timing of audit tests applied in the examination of financial statements.

The Audit Committee of the Board of Directors is comprised entirely of outside directors. It meets regularly with management and the internal and independent auditors to review the activities of each and satisfy itself that responsibilities are properly discharged. Unrestricted access to the Audit Committee is provided to Deloitte & Touche and the internal audit staff, allowing open discussion without management's presence on the quality of financial reporting and the adequacy of internal accounting controls.

Management recognizes its responsibility to provide reliable financial information and believes its system of internal controls enables it to meet that responsibility.

Finn M. W. Caspersen	Andrew C. Halvorsen	Thomas P. McGough
Chairman of the Board of Directors and Chief Executive Officer	*Member of the Office of the President and Chief Financial Officer*	*Senior Vice President and Controller*

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors of Beneficial Corporation:

We have audited the accompanying consolidated balance sheets of Beneficial Corporation and Subsidiaries as of December 31, 1990 and 1989, and the related consolidated statements of income and retained earnings and cash flows for each of the three years in the period ended December 31, 1990. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Beneficial Corporation and Subsidiaries at December 31, 1990 and 1989, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1990 in conformity with generally accepted accounting principles.

Deloitte & Touche

Parsippany, New Jersey
February 11, 1991

Deloitte & Touche

FIVE-YEAR SUMMARY
(in millions, except where noted)

During The Year	1990	1989	1988	1987	1986
Net Income (Loss)					
Income from Continuing Operations (a)	**$ 117.0**	120.9	105.0	138.8	74.6
Income (Loss) from Discontinued Operations	**$ 13.4**	–	–	2.0	(268.2)
Extraordinary Items	**$ –**	–	–	32.4	–
Cumulative Effect of Accounting Change	**$ –**	–	–	–	19.4
Net Income (Loss)	**$ 130.4**	120.9	105.0	173.2	(174.2)
Earnings (Loss) per Common Share (dollars)					
Continuing Operations (a)	**$ 5.01**	5.01	4.19	5.52	2.66
Discontinued Operations	**$ .60**	–	–	.09	(11.93)
Extraordinary Items	**$ –**	–	–	1.42	–
Cumulative Effect of Accounting Change	**$ –**	–	–	–	.86
Earnings (Loss) Per Common Share	**$ 5.61**	5.01	4.19	7.03	(8.41)
Average Number of Common Shares	**22.3**	22.3	22.2	22.7	22.5
Dividends Paid per Common Share (dollars)	**$ 2.35**	2.20	2.00	2.00	2.00
Revenue	**$1,755.5**	1,578.3	1,418.0	1,293.0	1,172.4
Interest	**$ 650.8**	627.5	544.7	484.5	455.2
Lending Spread	**$ 687.6**	623.4	592.6	554.3	525.5
Lending Spread as a % of Cash Invested	**9.44**	9.26	9.43	9.71	10.17
Provision for Credit Losses	**$ 115.8**	81.8	72.0	69.5	64.8
Total Expenses	**$1,555.4**	1,376.8	1,250.1	1,086.8	1,043.4
Income before Income Taxes	**$ 200.1**	201.5	167.9	206.2	129.0
% of Monthly Cash Principal Collections to Average Monthly Balances	**3.42**	3.70	3.70	3.68	4.22
% of Finance Receivables Charged Off (less recoveries) to Average Monthly Balances	**1.31**	1.11	1.05	1.08	1.07
At Year-End					
Finance Receivables	**$8,007.0**	6,901.7	6,598.1	6,134.8	5,461.1
Number of Accounts	**2.1**	1.9	1.9	1.7	1.7
Allowance for Credit Losses	**$ 234.2**	208.8	212.8	210.6	195.6
Total Assets	**$9,270.0**	7,947.5	7,562.6	7,060.3	7,446.2
Short-Term Debt	**$2,436.5**	1,985.0	1,959.8	2,058.2	2,103.0
Long-Term Debt	**$4,633.9**	4,010.8	3,725.3	3,152.8	3,742.4
Redeemable Preferred Stock	**$ –**	–	58.3	75.0	91.7
Shareholders' Equity (excluding redeemable preferred stock)	**$ 984.8**	911.1	850.0	801.1	708.6
Book Value per Common Share (dollars)	**$ 38.84**	35.58	32.87	30.72	25.88
% of Allowance for Credit Losses to Finance Receivables	**2.93**	3.03	3.23	3.43	3.58
% of Finance Receivables with Delinquency Two Months and Greater on a Contractual Basis	**3.51**	4.75	n/a	n/a	n/a
Holders of Common Shares (whole numbers)	**16,400**	16,800	17,900	18,500	19,200
Employees (whole numbers)	**7,800**	7,200	6,800	6,600	6,800
Consumer Finance Offices (whole numbers)	**1,068**	1,071	1,073	1,074	1,106

(a) Includes the following Special Items, after income taxes: "Provision for Loss on Leveraged Real Estate Partnerships" of $13.4 ($.60 per share) in 1990; "Provision for Data Processing Upgrade" of $7.9 ($.35 per share) in 1988; "Interest Income from Tax Settlement" of $32.6 ($1.44 per share) in 1987; and "Provision for Restructuring" of $5.5 ($.24 per share) in 1986.

n/a—not available.

QUARTERLY FINANCIAL DATA (unaudited)
(in millions, except per share amounts)

Quarter Ended	March 31	June 30	September 30	December 31	Total
1990					
Revenue	$394.0	$488.5	$400.0	$473.0	$1,755.5
Income before Income Taxes	54.3	58.5	56.3	31.0	200.1
Net Income					
Income from Continuing Operations	31.8	33.7	32.6	18.9	117.0
Income from Discontinued Operations	–	–	–	13.4	13.4
Net Income	31.8	33.7	32.6	32.3	130.4
Earnings per Common Share					
Continuing Operations	1.37	1.45	1.40	.79	5.01
Discontinued Operations	–	–	–	.60	.60
Earnings per Common Share	1.37	1.45	1.40	1.39	5.61
Dividends per Common Share	.55	.60	.60	.60	2.35
Market Price of Common Stock:					
High	50	55	55	46¼	
Low	44⅝	48¼	36⅜	34⅜	
1989					
Revenue	$358.7	$397.4	$404.3	$417.9	$1,578.3
Income before Income Taxes	46.2	50.9	51.8	52.6	201.5
Net Income	27.7	30.6	31.0	31.6	120.9
Earnings per Common Share	1.13	1.25	1.27	1.36	5.01
Dividends per Common Share	.55	.55	.55	.55	2.20
Market Price of Common Stock:					
High	46⅞	55⅛	56⅜	54½	
Low	42⅝	45¼	49¾	46	

Beneficial Corporation

Finn M. W. Caspersen
Chairman of the Board of Directors and Chief Executive Officer

David J. Farris
Member of the Office of the President and Chief Operating Officer

Andrew C. Halvorsen
Member of the Office of the President and Chief Financial Officer

James H. Gilliam Jr.
Executive Vice President, General Counsel and Secretary

William H. H. Ely Jr.
Senior Vice President and Treasurer

Thomas P. McGough
Senior Vice President and Controller

Maryann W. Schneider
Senior Vice President – Planning and Administration

Beneficial Management Corporation

David J. Farris
President and Chief Executive Officer

Senior Vice Presidents

Theodore L. Boyer
Data Processing

Robert M. Grohol
Operating

Charles E. Hance
General Counsel

Jerome E. Leitner
Government Relations

Manfred E. Niebisch
Operating

Group Presidents

Rodney K. Adams
Canadian Group

John France
United Kingdom Group

James L. Frans
Midwest Group

Peter J. Gimino Jr.
Southwest Group

J. C. Heywood
North Central Group

Wayne B. Hinson
Southern Group

Kendall D. Kelley
Northwest Group

Forrest B. Kinney
Gulf Coast Group

Francis X. Mohan
Northeast Group

Daniel E. Rosequist
Mid-Atlantic Group

Other Subsidiaries

Raymond J. Hill
President and Chief Executive Officer, Beneficial Mortgage Corporation

Ross N. Longfield
President, Bencharge Credit Service of America, Inc.; President and Chief Executive Officer, Beneficial National Bank USA; President, Beneficial Tax Masters Inc.

Daniel R. O'Brien
President and Chief Executive Officer, The Central National Life Insurance Company

Kenneth A. Reyes
President and Chief Executive Officer, Beneficial Savings Bank, FSB

James W. Wright
President and Chief Executive Officer, Beneficial National Bank

DIRECTORS

Charles W. Bower [3,4]
Retired; former Senior Vice President and Treasurer of Beneficial Corporation

Robert C. Cannada [3,5]
Attorney at Law, Butler, Snow, O'Mara, Stevens & Cannada, Jackson, Mississippi

Finn M. W. Caspersen [1,2]
Chairman of the Board of Directors and Chief Executive Officer

Leonard S. Coleman Jr. [5,6]
Vice President, Kidder, Peabody and Co., New York, New York

David J. Farris [1,2]
Member of the Office of the President and Chief Operating Officer

James H. Gilliam Jr. [1]
Executive Vice President, General Counsel and Secretary

Andrew C. Halvorsen [1,2]
Member of the Office of the President and Chief Financial Officer

J. Robert Hillier [4,6]
Architect and businessman, The Hillier Group, Inc., Princeton, New Jersey

Gerald L. Holm [4,5]
Consultant to the Company; former Vice Chairman of Beneficial Corporation

Thomas H. Kean [5,6]
President, Drew University Madison, New Jersey, Former Governor of New Jersey

Jan Leschly [3,4]
Chairman, Pharmaceuticals SmithKline Beecham p.l.c. Brentford, United Kingdom

Steven Muller [5,6]
Chairman, The 21st Century Foundation, Washington, D.C.

Susan Julia Ross [3,6]
Attorney at Law, Natelson and Ross, Taos, New Mexico

Robert A. Tucker [3]
Retired; former Member of the Office of the President and Chief Financial Officer of Beneficial Corporation

E. Norman Veasey [3,5]
Attorney at Law, Richards, Layton & Finger, Wilmington, Delaware

Susan M. Wachter [3,6]
Associate Professor of Finance, The Wharton School, University of Pennsylvania, Philadelphia, Pennsylvania

Charles H. Watts, II [3,5]
Educational and business consultant, Boston, Massachusetts

K. Martin Worthy [4,5]
Attorney at Law, Hopkins & Sutter, Washington, D.C.

Directors Emeriti

Cecil M. Benadom

Elbert N. Carvel

Freda R. Caspersen

George R. Evans

J. Thomas Gurney

Arthur T. Ward

(1) Member of Executive Committee (Finn M. W. Caspersen, Chairman)
(2) Member of Finance Committee (Andrew C. Halvorsen, Chairman)
(3) Member of Audit Committee (Charles H. Watts, II, Chairman)
(4) Member of Compensation Committee (K. Martin Worthy, Chairman)
(5) Member of Corporate Policy Committee (E. Norman Veasey, Chairman)
(6) Member of Nominating Committee (J. Robert Hillier, Chairman)

CORPORATE INFORMATION

Beneficial Corporation is a direct issuer of commercial paper to institutional and other corporate investors. Notes are sold in amounts of $100,000 or more for maturities of 5 to 270 days at competitive market rates. Daily rates are posted nationally on the TELERATE SYSTEM next to the symbol "BNL." For further information call 1 (800) 845-4474.

The Company's medium-term notes are also offered on a direct basis through its licensed broker/dealer subsidiary, Beneficial Securities Inc. Medium-term notes are available in book-entry or certificated form and are sold in denominations of $25,000 or more with maturities ranging from 9 months to 10 years. Rates appear on the TELERATE SYSTEM under the symbol "BNL." Further information or a prospectus is available by calling (908) 781-3677.

Security analysts, portfolio managers, and other investors seeking financial information about the Company should contact Mr. William H. H. Ely or Mr. John R. Engelhardt at (302) 798-0800.

Media representatives and others seeking general information about the Company should contact Mr. Robert Wade at (302) 798-0800.

First Chicago Trust Company of New York is both registrar and transfer agent for all classes of Beneficial Corporation common and preferred stock. Address changes, security transfer matters, and the Dividend Reinvestment Service can be handled by phone. The number of First Chicago's telephone response center is (212) 791-6422. Their mailing address is 30 West Broadway, New York, NY 10007.

Copies of the Company's 10-K report to the SEC are available upon request from Mr. James H. Gilliam Jr., Beneficial Corporation, P.O. Box 911, Wilmington, Delaware 19899.

The Annual Meeting of the Shareholders of Beneficial Corporation will be held on Wednesday, May 22, 1991 at 11:00 a.m. in the Company's headquarters, 400 Bellevue Parkway, Wilmington, Delaware.

Beneficial®

Annual Report 1990

AR31

Beneficial Corporation

April 11, 1990

Dear Stockholder:

On behalf of the Board of Directors of Beneficial Corporation, I am pleased to invite you to attend the 1990 Annual Meeting of Stockholders of the Company, which will be held on Wednesday, May 23, 1990 at 400 Bellevue Parkway, Wilmington, Delaware.

The business to be transacted at the meeting is set forth in the Notice of Meeting and is more fully described in the accompanying Proxy Statement.

It is important that your shares be represented at the meeting, regardless of the number you hold. Whether or not you can be present in person, please sign, date and return your proxy in the enclosed postage-paid envelope as soon as possible. If you do attend the meeting and wish to vote in person, your proxy can be revoked at your request.

A summary report of the meeting will be mailed to all stockholders with the financial results of the second quarter of 1990.

We look forward to seeing you at the meeting.

Best wishes.

Finn M. W. Caspersen
Chairman of the Board

BENEFICIAL CORPORATION

400 Bellevue Parkway, Wilmington, Delaware 19809

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

May 23, 1990

The annual meeting of stockholders of Beneficial Corporation, a Delaware corporation, will be held on Wednesday, May 23, 1990 at the office of the Company, 400 Bellevue Parkway, Wilmington, Delaware, at 11 A.M. Wilmington time, for the following purposes:

(1) To elect directors of the Company.

(2) To ratify the selection of the firm of Deloitte & Touche, Certified Public Accountants, as the independent auditors of the Company for 1990.

(3) To transact such other business as may properly be brought before the meeting.

Only shares of Common Stock, \$4.30 Dividend Cumulative Preferred Stock and \$5.50 Dividend Cumulative Convertible Preferred Stock may be voted at the meeting. The close of business on March 26, 1990 has been set as the record date for the purpose of determining stockholders entitled to notice of and to vote at the meeting. Stockholders are requested to complete and sign the accompanying proxy and return it as soon as possible whether or not they can attend the meeting in person. A stockholder may revoke his or her proxy at the meeting.

JAMES H. GILLIAM, JR.
Executive Vice President, General Counsel and Secretary

Dated: April 11, 1990

April 11, 1990

BENEFICIAL CORPORATION

400 Bellevue Parkway, Wilmington, Delaware 19809

ANNUAL MEETING OF STOCKHOLDERS

May 23, 1990

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors for use at the annual meeting of stockholders of the Company to be held on May 23, 1990. The shares represented by each proxy will be voted at the meeting in accordance with the specifications made thereon by the stockholder. The person giving a proxy has the power to revoke it any time before it has been voted by written notice to James H. Gilliam, Jr., Executive Vice President, General Counsel and Secretary, 400 Bellevue Parkway, Wilmington, Delaware 19809.

VOTING SECURITIES

The close of business on March 26, 1990 has been set as the record date for the purpose of determining stockholders entitled to vote at the meeting. Each share of Common Stock and $4.30 Dividend Cumulative Preferred Stock is entitled to one vote, and each share of $5.50 Dividend Cumulative Convertible Preferred Stock is entitled to four and one-half votes. All of such classes will vote as a single class.

On March 26, 1990 the number of securities outstanding and entitled to vote was 22,404,553 shares of Common Stock, 836,585 shares of $4.30 Dividend Cumulative Preferred Stock and 34,476 shares of $5.50 Dividend Cumulative Convertible Preferred Stock. The aggregate number of votes entitled to be cast at the meeting as of March 26, 1990, with all of such classes voting as a single class, is 23,396,280.

PROPOSAL 1

ELECTION OF DIRECTORS

It is intended that, unless authority is withheld, votes will be cast pursuant to the accompanying proxy for the election of a Board of Directors of 18 consisting of the persons named below, all of whom are presently directors, for terms of one year and until their successors are elected. Each nominee has expressed willingness to serve as a director during the coming year. The proxy may be voted for the election of other persons as directors in the event any of those named below are unable to serve for any reason.

The names of the nominees for director, together with certain information regarding them, are as follows:

Name of Director, Age, Principal Occupation and Other Affiliations	Year First Elected a Director
Charles W. Bower, 68 Retired; Member of Audit and Compensation Committees of the Company	1969
Robert C. Cannada, 69 Attorney at Law, Butler, Snow, O'Mara, Stevens & Cannada, Jackson, Mississippi; Member of Audit Committee and Committee on Corporate Policy of the Company	1975
Finn M. W. Caspersen, 48 Chairman of Board of Directors and Chief Executive Officer, Chairman of Executive Committee and Member of Finance Committee of the Company	1975
Leonard S. Coleman, Jr., 41 Vice President, Kidder, Peabody & Co. Member of Nominating Committee and Committee on Corporate Policy of the Company; Director, The Howard Savings Bank, Livingston, New Jersey; Director, Blue Cross and Blue Shield of New Jersey.	1990
David J. Farris, 54 Member of the Office of the President, Chief Operating Officer and Member of Executive and Finance Committees of the Company; President and Chief Executive Officer of Beneficial Management Corporation, a subsidiary of the Company	1982
James H. Gilliam, Jr., 44 Executive Vice President, General Counsel and Secretary and Member of Executive Committee of the Company; Chairman of Board of Directors of Beneficial National Bank, a subsidiary of the Company; Trustee, Howard Hughes Medical Institute, Bethesda, Maryland; Director, Bell Atlantic Corporation, Philadelphia, Pennsylvania	1984
Andrew C. Halvorsen, 44 Member of the Office of the President and Chief Financial Officer, Chairman of Finance Committee and Member of Executive Committee of the Company	1984
J. Robert Hillier, 52 Chairman and Chief Executive Officer of The Hillier Group, architects, Princeton, New Jersey; Chairman of Nominating Committee and Member of Compensation Committee of the Company; Director, The Howard Savings Bank, Livingston, New Jersey	1982
Gerald L. Holm, 51 Consultant to the Company; Member of Compensation Committee and Committee on Corporate Policy of the Company	1979
Thomas H. Kean, 54 President, Drew University, Madison, New Jersey; Member of Nominating Committee and Committee on Corporate Policy of the Company.	1990
Jan Leschly, 49 Business Consultant; Member of Audit and Compensation Committees of the Company.	1990
Steven Muller, 62 President, The Johns Hopkins University, Baltimore, Maryland; Member of Nominating Committee and Committee on Corporate Policy of the Company; Director: CSX Corp., Richmond, Virginia; Millipore, Inc., Bedford, Massachusetts; Alex. Brown, Inc., Baltimore, Maryland; and Organization Resources Counselors, Inc., New York, New York	1983
Susan Julia Ross, 46 Attorney at Law, Natelson and Ross, Taos, New Mexico; Member of Audit and Nominating Committees of the Company	1979
Robert A. Tucker, 63 Retired; Member of Audit Committee of the Company	1959
E. Norman Veasey, 57 Attorney at Law, Richards, Layton & Finger, Wilmington, Delaware; Chairman of Committee on Corporate Policy and Member of Audit Committee of the Company	1979
Susan M. Wachter, 46 Associate Professor of Finance, the Wharton School of the University of Pennsylvania, Philadelphia, Pennsylvania; Member of Audit and Nominating Committees of the Company	1985
Charles H. Watts, II, 63 Business and Educational Consultant; Chairman of Audit Committee and Member of Committee on Corporate Policy of the Company; Director, Weis Markets, Inc., Sunbury, Pennsylvania	1959
K. Martin Worthy, 69 Attorney at Law, Hopkins & Sutter, Washington, D.C.; Chairman of Compensation Committee and Member of Committee on Corporate Policy of the Company	1977

During the last five years the principal occupation of each director has been as listed above except that:

Mr. Coleman was the Commissioner of the New Jersey Department of Community Affairs (1986-1988) and Commissioner of the New Jersey Department of Energy (1982-1986).

Mr. Gilliam was Senior Vice President (1985-1989) of the Company.

Mr. Halvorsen was Second Vice Chairman of the Board of Directors (1984-1985) of the Company.

Mr. Holm was First Vice Chairman of the Board of Directors (1984-1985) and Vice Chairman of the Board of Directors (1986-1987) of the Company.

Mr. Kean was the Governor of New Jersey from 1982 to 1990.

Mr. Leschly was President and Chief Operating Officer (1988-1989), Member of the Board of Directors (1984-1989) and Group Vice President, Pharmacological Products Group (1984-1986) of the Squibb Corporation.

Mr. Tucker was a Member of the Office of the President (1977-1985) and First Vice President and Chief Financial Officer (1969-1985).

The law firms of Butler, Snow, O'Mara, Stevens & Cannada, of which Mr. Cannada is a member, Richards, Layton & Finger, of which Mr. Veasey is a member, and Hopkins & Sutter, of which Mr. Worthy is a member, performed legal services in 1989 for the Company and its subsidiaries. The Hillier Group, an architectural firm, of which Mr. Hillier is Chairman and Chief Executive Officer, performed architectural services for subsidiaries of the Company in 1989. Such firms are currently performing services for the Company and its subsidiaries.

As of March 15, 1990, the Company's directors and nominees for directors, and its directors and officers as a group, beneficially owned the amounts of equity securities of the Company shown in the following table:

	Equity Securities of the Company Beneficially Owned (1)			
Name of Person or Group	**Common Stock**	**% of Class**	**5% Pfd. Stock**	**% of Class**
Charles W. Bower (4) (5)	60,708	*	—	—
Robert C. Cannada (2)	9,897	*	—	—
Finn M. W. Caspersen (2) (4) (5) (6) (7)	797,023	3.56	2,667	*
Leonard S. Coleman, Jr. (3)	231	*	—	—
David J. Farris (2)	61,141	*	—	—
James H. Gilliam, Jr. (3)	19,429	*	—	—
Andrew C. Halvorsen	25,562	*	—	—
J. Robert Hillier	5,584	*	—	—
Gerald L. Holm (5)	17,099	*	—	—
Thomas H. Kean (3)	177	*	—	—
Jan Leschly (3)	377	*	—	—
Steven Muller	800	*	—	—
Susan Julia Ross	3,271	*	—	—
Robert A. Tucker (2) (4) (5) (7) (8)	158,538	*	679	*
E. Norman Veasey	2,896	*	—	—
Susan M. Wachter	5,226	*	—	—
Charles H. Watts, II (2) (4)	83,633	*	737	*
K. Martin Worthy	4,054	*	—	—
All directors and officers as a group (27 persons) (2) (3) (4) (5) (6) (7) (8)	1,282,612	5.72	4,083	1.06

In addition, as of such date Mr. Tucker owned 38* shares of the Company's $4.50 Dividend Cumulative Preferred Stock.

*Less than 1.0% of class.

(1) Unless otherwise indicated below, each director possesses sole voting and investment power with respect to the shares shown opposite his or her name.

(2) Includes shares of Common Stock owned by spouses or certain members of the families of directors, as to which such directors disclaim beneficial ownership, as follows: Mr. Cannada—316 shares; Mr. Caspersen—6,461 shares; Mr. Farris—69 shares; Mr. Tucker—1,189 shares; and Mr. Watts—2,796 shares.

(3) Includes shares of Common Stock which vested or were purchased in March or which will vest in April, 1990, under the Employees' Stock Purchase Plan.

(4) Includes 49,698 shares of Common Stock held by a trust as to which Messrs. Bower, Caspersen, Tucker and Watts and others serve as trustees (sharing voting and investment power), shown as beneficially owned by each of them.

(5) Excludes shares owned by The Hodson Trust. For information concerning shares held by this trust see *Principal Stockholders*.

(6) Includes 482,055 shares of Common Stock and 1,170 shares of 5% Stock, other than shares referred to in notes (2), (4) and (7), as to which Mr. Caspersen shares voting and investment power with others.

(7) Includes 59,611 shares of Common Stock and 679 shares of 5% Stock owned by the Beneficial Foundation, Inc. as to which Messrs. Caspersen and Tucker and others share voting and investment power.

(8) Includes 8,175 shares of Common Stock, other than those referred to in notes (2), (4) and (7), as to which Mr. Tucker shares voting and investment power with others.

MEETINGS OF THE BOARD OF DIRECTORS AND COMMITTEES

The Board held 4 meetings during 1989. The overall average attendance record of directors of the Company at Board and committee meetings during 1989 was 98%.

The Audit Committee. The Audit Committee met 4 times in 1989. Its duties are (a) to recommend to the Board a firm of independent public accountants to be nominated for election by the stockholders to act as the Company's independent auditors, (b) to confer with the Company's independent auditors as to the scope of their proposed audit, (c) to review the findings and recommendations of the independent auditors on completion of the audit and to consider any problems encountered by them in conducting the audit, and (d) to review the Company's internal audit controls and to provide a liaison with the Company's internal auditors.

The Committee on Corporate Policy. The Committee on Corporate Policy held 4 meetings in 1989. Its responsibilities are (a) to advise the Board and recommend from time to time corporate policies with respect to revisions in the Restated Certificate of Incorporation and By-Laws, and (b) to advise the Board and recommend from time to time any other appropriate action relating to the structure of the Board, the relationship of the Board to the stockholders and action which might be taken by the Board or the stockholders as being in the best interests of the stockholders.

The Compensation Committee. The Compensation Committee held 3 meetings in 1989. Its function is to fix the compensation of officers and key employees of the Company and certain subsidiaries and to administer the Company's Key Employees Stock Bonus Plan.

The Executive Committee. In 1989 the Executive Committee held 18 meetings. The Executive Committee may exercise substantially all the authority of the Board (other than powers which the Board has specifically delegated to other committees) during the intervals between Board meetings.

The Finance Committee. The Finance Committee met 8 times in 1989. The Finance Committee, between meetings of the Board, may exercise all powers of the Board with respect to financing the operations of the Company.

The Nominating Committee. The Nominating Committee met 4 times in 1989. Its purposes are (a) to make recommendations to the Board with respect to the size and composition of the Board; (b) to make recommendations to the Board with respect to a slate of nominees for election as Directors for inclusion in the Company's annual proxy statement; and (c) to identify, evaluate and recommend to the Board candidates to fill vacancies on the Board.

Nominations for the election of directors may be made by the Board of Directors or by any stockholder entitled to vote for the election of directors. A notice of the intent of a stockholder to make any such nomination must be made in writing, delivered or mailed by first class United States mail, postage prepaid, to the Secretary of the Company not less than 90 days in advance of the annual meeting or, in the event of a special meeting of stockholders for the election of directors, such notice must be delivered or mailed to the Secretary of the Company not later than the close of the seventh day following the day on which notice of the meeting is first mailed to stockholders. Every such notice by a stockholder must set forth: (a) the name and residence of the stockholder of the Company who intends to make the nomination; (b) a representation that the stockholder is a holder of record of the Company's voting stock and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings among the stockholders and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (d) such other information regarding each nominee proposed by such stockholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission (the "Commission") had each nominee been nominated, or intended to be nominated, by the Board of Directors of the Company; and (e) the consent of each nominee to serve as director of the Company if so elected.

COMPENSATION OF DIRECTORS

Directors of the Company who are not employees receive for their services $1,500 per quarter and $6,000 for each Board meeting attended. Directors who are also employees receive $200 for each Board meeting attended. Non-employee directors who are members of the Audit Committee, Compensation Committee, Nominating Committee, Committee on Corporate Policy or any Ad Hoc Committee, receive $1,000 for each meeting attended or for each day services are performed on behalf of such Committee. Non-employee directors who are Committee Chairpersons receive an additional $500 for each meeting attended. Payment of meeting and service fees may be deferred until a director either reaches the age of 70 or terminates his or her relationship with the Company. Such deferred fees bear interest at an annual rate equal to the average annual interest cost of all short- and long-term borrowings by the Company and consolidated subsidiaries.

In order to allow the Company to avail itself of the experience of retired directors, it is the Company's policy to pay each director who (a) ceases to be a director after having attained the age of 70 years and completed at least five years of service or (b) has served for ten years and either resigns voluntarily or decides not to stand for re-election, the sum of $7,500 per quarter if such retired director agrees to be available to render advice to the Board, its Executive Committee or any of its members. Directors who retired prior to 1987 receive quarterly fees which range from $2,000 to $6,000. In addition, such directors and directors emeriti would receive, upon a change in control of the Company, and in the case of current directors their ceasing to be directors, quarterly payments ranging from $2,000 to $7,500, depending on their years of service as directors, for the remainder of their lives in consideration for and subject to their continued availability to the Company or its successor for purposes of consultation. The Company will purchase annuities to provide for such payments.

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding each person who, to the Company's knowledge, owned more than 5% of any class of the Company's outstanding voting securities:

Name and Address of Stockholder	Common Stock	$4.30 Dividend Cumulative Preferred Stock	% of Class Owned
Delaware Management Company, Inc. 10 Penn Center Plaza Philadelphia, PA 19103	2,089,900(1)	—	9.33%
FMR Corp. 82 Devonshire Street Boston, MA 02109	2,035,225(2)	—	9.08%
The Hodson Trust 100 Beneficial Center Peapack, NJ 07977	1,667,906(3)	—	7.44%
Lehman Ark Management Co., Inc. 55 Water Street New York, NY 10041	1,142,460(4)	—	5.10%
The Life Insurance Company of Virginia 6610 West Broad Street Richmond, VA 23230	—	75,000(5)	8.97%
Medical Information Technology Meditech Circle Westwood, MA 02090	—	54,000(6)	6.45%

(1) Based on information received from Delaware Management Company, Inc. ("Delaware Management"). According to such information, as of January 31, 1990, Delaware Management, an investment advisor registered under the Investment Advisors Act of 1940 (the "1940 Act"), holds such shares on behalf of certain investment funds which together with Delaware Management may be deemed to be the beneficial owners of 2,089,900 shares, or 9.33% of the Common Stock. Delaware Management has the sole power to vote 1,964,900 of such shares and the sole power to dispose of all 2,089,900 shares.

(2) Based on information contained in a report on Schedule 13G of FMR Corp. ("FMR"), dated February 10, 1990, filed with the Commission under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). According to such report, FMR, an investment company registered under the "1940 Act", is the parent holding company of several investment company or investment advisor subsidiaries which together beneficially own 2,035,225 shares (9.08%) of the Common Stock. FMR has the sole power to vote 222,400 of such shares and the sole power to dispose of all 2,035,225 of such shares.

(3) As of March 1, 1990, The Hodson Trust held of record the number of shares indicated in the table, 14 shares of $4.30 Dividend Cumulative Preferred Stock (less than 1.0% of such class) and 8 shares of $5.50 Dividend Cumulative Convertible Preferred Stock (less than 1.0% of such class). Messrs. Bower, Caspersen, Holm, Tucker and three other persons serve as trustees of such trust and share voting and investment power, but have no interest in the principal or income of such trust. Such shares would be regarded as beneficially owned by each such person under Rule 13d-3 promulgated by the Commission under the Exchange Act.

(4) Based on information contained in a report on Schedule 13G of the Lehman Ark Management Co., Inc. ("Lehman Ark"), dated February 8, 1990, filed with the Commission under the Exchange Act. According to such report, Lehman Ark, an investment advisor registered under the "1940 Act", is the record owner of 1,142,460 shares (5.10%) of the Common Stock, has the sole power to dispose of or to direct the disposition of all such shares and the sole power to vote 554,000 of such shares.

(5) Based on information contained in a report on Schedule 13G of The Life Insurance Company of Virginia ("Life of Virginia"), dated May 21, 1987, filed with the Commission under the Exchange Act. According to such report, Life of Virginia, an insurance company as defined in Section 3(a)(19) of the Exchange Act, shares voting and dispositive power with an affiliated investment manager which together with Life of Virginia beneficially owns 75,000 shares, or 8.97% of the $4.30 Dividend Cumulative Preferred Stock.

(6) Based on the records of First Chicago Trust Company of New York, the Company's Transfer Agent, Medical Information Technology appears as the record owner of 54,000 shares or 6.45% of the $4.30 Dividend Cumulative Preferred Stock.

EXECUTIVE COMPENSATION

The following table sets forth the cash compensation paid by the Company and its subsidiaries during 1989 to (a) each of the five most highly compensated executive officers of the Company for services in the capacities indicated, and (b) all executive officers of the Company as a group.

(A) Name of Individual or Number of Persons In Group	(B) Capacities In Which Served	(C) Cash Compensation
Finn M. W. Caspersen	Chairman of Board of Directors and Chief Executive Officer	$1,226,800
David J. Farris	Member of the Office of the President and Chief Operating Officer; President and Chief Executive Officer of Beneficial Management Corporation, a subsidiary of the Company	853,558
James H. Gilliam, Jr.	Executive Vice President, General Counsel and Secretary; Chairman of Board of Directors of Beneficial National Bank, a subsidiary of the Company	416,800
Andrew C. Halvorsen	Member of the Office of the President and Chief Financial Officer	501,800
W. James Murphy	Senior Vice President-Operating of Beneficial Management Corporation, a subsidiary of the Company	276,568
13 Executive Officers as a group, including those named above		$4,295,205

COMPENSATION PLANS AND ARRANGEMENTS

Pension Plans. The basic benefit formula under the Beneficial Corporation Pension Plan (the "Pension Plan") (before the reduction discussed below) provides benefits of from 1.5% to 1.8% of average annual compensation, with the benefit accrual rate increasing with years of service. The maximum annual retirement benefit under the Pension Plan generally is the greater of 65.25% of an employee's highest applicable average annual compensation for three consecutive years or an amount set by the Internal Revenue Code (the "Code"). This amount is adjusted annually based upon the cost of living and for 1989 limits such annual benefits payable to $102,582. In determining such benefits, amounts payable are reduced by (1) one-half of an employee's annual social security benefit, (2) benefits actuarially determined from Company contributions under the Savings Plan *(see below)* and the earnings thereon and (3) any amount vested under the Company's prior pension plan which was terminated in 1983. The actuarial value of an employee's annual retirement benefit may be paid in a single payment upon retirement. Benefits under the Pension Plan are fully vested after five years of cumulative service or at age 65. The Plan also contains provisions for early retirement, disability and death benefits and payments to a vested employee who leaves the Company prior to retirement.

Compensation under the Pension Plan is defined to include wages paid, year-end adjustments, bonuses, overtime, salary deferral contributions to the Savings Plan and other special earnings and to exclude compensation in excess of $209,200 per annum (a Code limitation which adjusts annually based on the cost of living), Company contributions under the Employees' Stock Purchase Plan and the Key Employees Stock Bonus Plan, certain moving expenses, taxable group life insurance premiums, certain commissions and incentive payments and severance pay. For the executive officers included in the table above, compensation under the Pension Plan includes all items reported in the third column of such table, except directors' fees.

In 1986, the Company adopted the Supplemental Retirement Plan (the "Supplemental Plan") to restore to certain employees of the Company those retirement benefits earned by such persons under the Pension Plan but not payable to such persons because of the limitations imposed on qualified plan benefits by the Code. Payment of benefits under the Supplemental Plan may be made at the same time benefits under the Pension Plan are paid. If a participant's employment is terminated and such person is entitled to a deferred vested benefit under the Pension Plan, such person will be entitled to receive benefits under the Supplemental Plan upon retirement. The Supplemental Plan was amended in 1989 to provide a death benefit to certain key employees equal to the amounts they have accrued under the Pension Plan.

The following table illustrates the estimated annual benefits, based on the indicated applicable average annual compensation and years of service upon retirement, payable under the Pension Plan and the Supplemental Plan (prior to any offset) to a participant who retires at the end of the calendar year in which age 65 is attained.

Applicable Average Annual Compensation	Estimated Annual Retirement Benefit 15 Years of Service	25 Years of Service	35 Years of Service
$ 150,000	$ 34,125	$ 58,500	$ 84,375
250,000	56,875	97,500	140,625
450,000	102,375	175,500	253,125
650,000	147,875	253,500	365,625
850,000	193,375	331,500	478,125
1,000,000	227,500	390,000	562,500

Messrs. Caspersen, Farris, Gilliam, Halvorsen and Murphy had approximately 18, 30, 10, 12 and 36 years of service, respectively, credited under the Pension Plan and the Supplemental Plan through 1989.

Savings Plan. Under the Beneficial Corporation Savings Plan (the "Savings Plan"), after determination by the Board of Directors, the Company makes "basic contributions" each year of an amount, which can equal as much as 2.5% of each eligible employee's annual compensation, to an account established for each such employee. Participating employees may also elect to reduce their current compensation and have salary deferral contributions made on their behalf by the Company to the Savings Plan in amounts up to 10% (or a greater percentage, if permitted by the Committee which administers the Savings Plan) of their annual gross compensation and thereby defer federal and, in most cases, state taxes on such amounts and all earnings thereon until a distribution is made under the Savings Plan upon termination of employment. The total amount of an individual's deferral contribution is, however, subject to a limitation imposed by the Code which, for 1989, sets the maximum contribution at $7,979. In addition, an employee may contribute up to 10% of his or her annual compensation on an aftertax basis and defer taxes on the earnings thereon until such amounts are withdrawn from the employee's account. Restrictions may be imposed on the level of salary deferral contributions elected by highly compensated employees to the extent necessary to comply with applicable non-discrimination requirements. Such persons may also elect not to receive a Company contribution.

Compensation is defined in the Savings Plan to include wages paid (determined before salary deferral contributions), overtime and year-end adjustments but to exclude compensation in excess of $209,200 per annum (a Code limitation which adjusts annually based on the cost of living), bonuses and other special forms of compensation, amounts paid under the Employees' Stock Purchase Plan or the Key Employees Stock Bonus Plan, group life insurance premiums, certain moving expenses, certain commissions and severance pay. Until termination of employment, no amounts contributed under the Savings Plan, other than aftertax contributions, may be withdrawn. Employees are permitted, however, to obtain loans at prevailing rates, subject to certain limitations, against contributions they have made.

Employees (other than seasonal employees) who have been employed by the Company or a participating subsidiary for one year and have reached age 21 are eligible to participate in the Savings Plan. Company contributions are invested in a group annuity contract with The Central National Life Insurance Company of Omaha (an affiliate of the Company). One or more investment funds (selected by the Committee) are made available for investment of contributions and participants choose the investment fund or funds in which their contributions will be invested. Participants are fully vested and have a nonforfeitable interest in their respective accounts at all times.

The Savings Plan also authorizes the Trustee who invests contributions to the Trust Fund established under the Savings Plan to purchase shares of the Company's Common Stock through the use of borrowed funds, repayment of which may be guaranteed by the Company. Any such loans and interest thereon will be repaid through Company contributions to the Savings Plan. Such contributions may or may not affect the "basic contributions" to the Savings Plan made by the Company. Common Stock purchased with borrowed funds will first be held in a suspense account and as loans are repaid, a proportionate number of shares will be released from such account and allocated to participants' accounts. Cash dividends on allocated and unallocated shares will be used to repay loans or, subject to certain Code requirements with respect to allocated shares, be paid to participants. All dividends paid to participants are deductible for tax purposes by the Company. Shares allocated to participants under the Plan will be voted by the Trustee

in accordance with directions from participants and unallocated shares will be voted by the Trustee in the same proportion as votes cast with respect to allocated shares. The Savings Plan also provides that in the event of tender offer for the Common Stock of the Company, a participant has the right to determine confidentially whether his or her shares will be tendered.

During 1989, the Company's contributions under the Savings Plan to the accounts of executive officers included in the table on page 7 were as follows: Caspersen, $25,220; Farris, $17,288; Gilliam, $8,625; Halvorsen, $10,441; Murphy, $5,843; and the 12 executive officers eligible to participate in the Savings Plan, as a group, $87,733.

Key Employees Stock Bonus Plan. Under the Beneficial Corporation Key Employees Stock Bonus Plan (the "Key Plan"), the Board of Directors determines in February of each year the maximum percentage of the consolidated net aftertax income of the Company and its subsidiaries which may be contributed to the Plan for the preceding calendar year. Such aftertax income is computed on a consolidated basis in accordance with generally accepted accounting principles but excludes (i) the aftertax cost to the Company of the contribution to the Key Plan, and (ii) extraordinary or unusual nonrecurring items not realized in the ordinary course of business as determined by the Compensation Committee, e.g., gains or losses resulting from the sale of a subsidiary. The Compensation Committee then determines (a) the dollar amount of the contribution to the Key Plan for such calendar year; (b) which employees of the Company and its participating subsidiaries will receive an award for such preceding year; and (c) the amount of each award, based on the performance of each such employee as well as such other factors as the Committee may determine to be appropriate.

All contributions to the Key Plan are held in an irrevocable trust by a bank or other institutional trustee selected by the Company (the "Trustee"). Contributions may be in cash or treasury stock (whether or not acquired for purposes of the Key Plan), or any combination thereof, and all cash contributions are used by the Trustee to purchase full shares of the Company's Common Stock for the accounts of employees who receive awards. Until benefits are paid, amounts held by the Trustee are generally subject to the claims of general creditors of the Company should the Company or its participating subsidiaries be declared bankrupt or insolvent. Cash dividends on stock purchased under the Key Plan are used by the Trustee to purchase additional shares of stock for the accounts to which such dividends are attributable.

Stock, cash or other property in a participant's account vests in the participant and is distributed to him or her by the Trustee at the earliest to occur of the following: (a) January 1 of the calendar year in which the participant attains age 60; (b) January 1 of the fifth calendar year following the year for which such stock was awarded; or (c) the date on which the participant ceases to be employed by the Company or a participating subsidiary if such termination is other than a voluntary termination (exclusive of (i) a voluntary termination pursuant to the terms of *Employment Contracts with Certain Officers,* described below, or (ii) a termination for good reason pursuant to the terms of *Severance Agreements,* described below) or a discharge for cause. In the event a participant ceases to be employed by the Company or a participating subsidiary (other than as provided above) before stock is vested, the participant forfeits his or her interest in such stock, cash or other property received. Any such stock, cash or property so forfeited will be returned to the Company. Rights, benefits and payments under the Key Plan may not be assigned, pledged or encumbered in any way and any attempt by a participant or a beneficiary to do so is void.

Each participant has the right and is afforded the opportunity to instruct the Trustee on voting shares of stock held in his or her account. The Key Plan also provides that a participant has the right to determine confidentially whether his or her shares will be tendered in the event of a tender offer for the Common Stock of the Company.

The Board may amend, suspend or terminate any or all of the provisions of the Key Plan at any time except that, without prior approval of the stockholders, no amendment may be made that will increase the maximum amount that may be contributed for any year, accelerate the vesting requirement or change the forfeiture provisions. No amendment, suspension or termination, however, will adversely affect the rights of participants to awards made prior thereto except to the extent, if any, required to obtain governmental approvals or rulings which the Company determines to be appropriate.

For 1989 the following executive officers received the following awards under the Key Plan: Caspersen—$555,000; Farris—$485,000; Gilliam—$290,000; Halvorsen—$200,000; and the 11 executive officers of the Company eligible to receive such awards, as a group—$1,783,000.

Employees' Stock Purchase Plan. Directors and all employees of the Company and its participating subsidiaries who reach the level of manager and all such employees below the level of manager who have completed three years of service are eligible to participate in the Beneficial Corporation Employees' Stock Purchase Plan (the "ESPP") and may elect to contribute funds under the ESPP to purchase shares of the Company's Common Stock.

As shares of Common Stock purchased with the participant's contributions are credited to a participant's account, a number of unvested "share units" are also credited to the participant's account. Such "share units" are credited as follows: (1) for the first $2,000 contributed under the ESPP in each year—share units equal to the full number of shares credited; and (2) for all amounts in excess of $2,000 contributed in each year—share units equal to 50% of the number of shares purchased with such additional funds. The maximum amount which can be contributed by a participant cannot exceed an amount equal to 30% of the participant's "Annual Compensation" (as defined in the ESPP) for each calendar year.

Share units entitle a participant to receive on each Common Stock dividend payment date an amount equal to the dividend that such participant would have received had he or she been, on the record date for payment of such dividend, the owner of a number of shares of such stock equal to the number of such credited share units. Share units become fully vested in a participant only after the earlier of (a) three years following the date on which such share units were credited or (b) the date on which a participant's employment or service as a director is terminated for any of the reasons set forth in the ESPP. The Board of Directors may, however, accelerate the vesting of share units in the event of a tender offer for the Common Stock.

In 1989 vested share units and dividends on unvested share units received under the ESPP were as follows: Caspersen—1,578 share units, $13,731 in dividends; Farris—19 share units, $3,135 in dividends; Gilliam—13 share units, $24 in dividends; Halvorsen—247 share units, $124 in dividends; Murphy—0 share units, $2,273 in dividends; and the 13 executive officers eligible to participate in the Plan—2,057 share units, $24,662 in dividends.

CONTRACTS AND OTHER ARRANGEMENTS WITH OFFICERS AND DIRECTORS

Employment Contracts with Certain Officers. The Company has entered into employment contracts with approximately 300 management level employees of the Company and its subsidiaries to assure such employees of equitable treatment in the event of a change of control of the Company (as defined in the contracts) not approved by the Company's Board of Directors. The named executive officers listed in the table on page 7 are not covered by such agreements but, instead, have *Severance Agreements* as described below.

The employment contracts are operative for a three-year period if a change of control occurs. They will provide such employees (a) compensation during the employment period at a rate equal to that existing immediately prior to the change in control, adjusted through such period to reflect increases based upon the Company's prior practices and (b) continued eligibility during such period under the Company's employee benefit plans. An employee's good faith determination that the nature and scope of his or her duties have been limited following a change of control would entitle the employee to terminate employment with the Company. In that event or in the event of a termination of employment by the Company other than for "cause", most components of such compensation and benefits would continue through the remainder of the three-year period. "Cause" is defined in such contracts as, generally, (i) an act or acts of dishonesty constituting a felony and resulting in gain to the employee or (ii) a refusal of such employee to perform his or her employment duties which results in material injury to the Company. The contracts also provide that in the event any payments thereunder become subject to excise tax pursuant to Section 4999 of the Code, the Company will pay to the employee such additional compensation as is necessary to place such person in the same aftertax position in which he or she would have been had no such excise tax been incurred.

Severance Agreements. In 1986, the Board authorized severance agreements for 27 key officers of the Company and its subsidiaries who were deemed to be instrumental in successfully achieving the strategic alternatives of the Company. The named executive officers listed in the table on page 7 are covered by such agreements.

The Severance Agreements provide, among other things, for severance payments to each covered officer in the event that his or her employment is terminated either by the Company other than for "cause"

or by such officer for "good reason" following a "change of control" (which would include a liquidation) of the Company. "Cause" is defined as the involuntary termination of employment by the Company for such officer's failing to substantially perform his or her duties (after notice has been given to such person), willfully engaging in conduct materially injurious to the Company or certain criminal convictions. "Good reason" is defined as a change of an officer's duties inconsistent with his or her present position, a reduction in base salary, a job relocation in excess of 25 miles, a discontinuation or reduction of any benefit plan in which he or she participates, a failure of any successor to the Company to assume such officer's Severance Agreement or a termination not in accordance with the terms of such officer's Severance Agreement. Severance benefits under the Severance Agreements are comprised principally of (i) the officer's accrued base salary including any year-end adjustment earned but not paid (or the prior year's adjustment if the current year's adjustment has not been determined), (ii) a multiple (which under certain Severance Agreements is one and under other Severance Agreements is two), times the sum of the officer's (a) annual base salary in effect as of the date of termination, (b) the greater of such officer's 1985 annual year-end adjustment or the adjustment, if determined, for the year in which such officer's termination occurs and (c) the greater of the officer's 1985 award under the Key Plan or any subsequent award under such plan, (iii) a lump sum payment equal to (a) the aggregate nonvested share units credited to the officer's account under the ESPP and (b) the aggregate value of the officer's account under the Key Plan and (iv) two years of continued coverage under the Company's benefit plans (unless such person earlier receives comparable coverage from any other source). In addition to the foregoing, each Severance Agreement for Messrs. Caspersen, Farris, Gilliam and Halvorsen, provides that (i) if he remains with the Company for three months following a change in control, he may terminate employment for any reason during the fourth month and upon such termination receive the severance benefits set forth above and (ii) for additional cash payments to offset any federal excise tax that may be imposed by reason of payments made pursuant to the Severance Agreements.

Consulting Contract with Mr. Holm. The Company entered into an agreement with Mr. Holm which provides that for a period of five years following his resignation on January 1, 1988 he will render advisory and consulting services to the Company and not engage in any enterprise in competition with the business of the Company or any of its subsidiaries. For services under this agreement, Mr. Holm receives $50,000 per year and an additional payment of $1,000 per day for each day in addition to 50 days in each calendar year in which such services are provided.

Loans. Certain banking and mortgage company subsidiaries of the Company have made, and will continue to make, mortgage and other loans, in the ordinary course of business, to directors and officers of the Company. Such loans have been and will be made on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other persons, and do not and will not involve more than the normal risk of collectibility or present other unfavorable features.

Litigation. The Company and two of its present officers and directors are defendants in a lawsuit relating to the restructuring of the Company and the operations of an insurance subsidiary prior to its disposition. The class action, commenced by Robert M. Deutschman in the U. S. District Court for the District of Delaware on December 19, 1986, alleges that the defendants' disclosures with respect to reserves required for the property and casualty subsidiaries owned by the Company at the time were misleading and seeks unspecified money damages. The Company is of the opinion that the *Deutschman* case is without merit.

Directors' Indemnification Agreements. The Company has entered into indemnification agreements with each of its directors which provide that such directors will be indemnified against expenses, judgments, penalties, fines and amounts paid in settlement with respect to threatened, pending or completed actions, suits or proceedings to which any such person is, or is threatened to be made, a party, to the fullest extent permitted by applicable law as in effect from time to time. Such agreements also require the Company to advance all reasonable expenses incurred by a director in any such proceeding provided that he or she undertakes to repay the amount advanced if it is ultimately determined that he or she is not entitled to indemnification for such expenses. The agreements provide that upon the occurrence of a "change in control" (as defined in the agreements) of the Company, the Company has the burden of proof to establish that a director who has requested indemnification is not entitled to it.

PROPOSAL 2

SELECTION OF AUDITORS

The Board of Directors, upon recommendation of the Audit Committee, which is composed of seven directors who are not officers or employees of the Company, has selected, subject to stockholder approval, the firm of Deloitte & Touche, Certified Public Accountants, as the independent auditors of the Company for 1990 and it is intended that, unless otherwise specified on the accompanying proxy, votes will be cast pursuant to the proxy for the ratification of such action. As in prior years, a representative of Deloitte & Touche is expected to be present at the meeting and to be available to respond to appropriate questions. The representative also will have an opportunity to make a statement if he or she so desires.

Audit services rendered by Deloitte & Touche to the Company in 1989 included examination of the annual financial statements, review of unaudited quarterly financial information, assistance and consultation in connection with Securities and Exchange Commission reports and registration statements and consultation in connection with various accounting matters. Services provided by Deloitte & Touche were approved by the Audit Committee of the Board in most but not all cases before they were rendered.

OTHER BUSINESS

The Board of Directors does not know of any matters to come before the meeting other than those referred to in the Notice of the meeting. If any other matters should come before the meeting, the accompanying proxy will be voted on such other matters in accordance with the judgment of the person or persons voting the proxy.

STOCKHOLDER PROPOSALS FOR 1991 ANNUAL MEETING

Stockholder proposals for the 1991 Annual Meeting must be received at the executive offices of the Company, Office of the Secretary, 400 Bellevue Parkway, Wilmington, Delaware 19809, not later than December 11, 1990 for inclusion in the 1991 proxy statement and form of proxy.

FORM 10-K

The Company will furnish without charge to each stockholder, upon written request, a copy of the Company's Annual Report on Form 10-K for the year 1989, including the financial statements and the schedules thereto, except that the exhibits to the Form 10-K shall be furnished at a cost of 15 cents per page. Requests should be addressed to: Mr. James H. Gilliam, Jr., Executive Vice President, General Counsel and Secretary, Beneficial Corporation, 400 Bellevue Parkway, Wilmington, Delaware 19809.

COST OF SOLICITATION OF PROXIES

The cost of soliciting proxies will be borne by the Company. Solicitation of proxies from some stockholders of the Company may be made by personal interview, mail, telephone or telegram by the directors, officers and employees of the Company or subsidiaries. The Company also will request brokerage houses, custodians, nominees and fiduciaries to forward the proxy material and annual report to stockholders to the beneficial owners of the stock held of record by such persons and will reimburse them, upon request, for reasonable expenses incurred in connection therewith.

By order of the Board of Directors,

JAMES H. GILLIAM, JR.
Executive Vice President, General Counsel and Secretary